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ECONOMIC AND INDUSTRIAL AFFAIRS

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MEASURES TO IMPROVE ENERGY SUPPLY SYSTEM REVIEWED

Tirana BASHKIMI in Albanian 31 Dec 81 p 2

[Article by Llazar Papajorgji, director of the Directorate of Energy in the Ministry of Energy: "Implementing the Decisions of the Eighth Congress—Further Strengthening the Energy System of the Country"]

[Text] The Eighth Congress of the Party defined very important tasks for the workers in the energy system. Comrade Enver particularly recommended that the workers in the energy sector devote special importance to studies for the prognosis of energy resources, to studies for extending and strengthening the energy system in the country and using the system more scientifically so that we can assure a high level of uninterrupted supply of electrical energy to our consumers.

Within the conditions of the rapid development of the energy system, the workers in the sector are continually confronted with complex technical and scientific problems which have been faced and successfully resolved by our specialists. We have always believed that the problems of how best to exploit the energy system are specific and the problems are dynamic and always growing; therefore we can solve them successfully only, as the party recommends, by relying on our own forces.

The problems of the most practical and safe way to exploit the energy system are thematically broad because, not only do they extend into the field of electro-technology and its branches, but they also extend into the field of hydrotechnology, chemistry, mechanics and electronics. The problems of the energy system are complicated by nature and the above-mentioned sciences, as well as mathematics and computer sciences, which are becoming more and more a necessary part of the energy studies, support and accompany them and are involved in the solution of these problems.

On this basis and using these guidelines, many important technical problems have been successfully resolved. Thus, in the Plier thermo-electric power plant technical measures were studied, planned and implemented which resulted in increasing the production capacities of the boilers; rational methods were implemented to lower the effects of corrosion on the thermoenergy equipment; the causes of the damage to the insulation of electrical equipment in the industrial area were defined. Good work was done to start operating the 60 megawatt block etc. In the hydroelectric power plant in Vau i Dejes, a suitable plan

was studied and successfully adopted for the 220 kilowatt generators and for the automatic safeguards which provide the system with a guaranteed supply of energy from the aggregates of this hydroelectric power plant. The problem of the elimination of the effects of corrosion on the blades of the hydroelectric turbines were solved; components, equipment and spare parts for the aggregates which were imported from abroad in the past are now being produced domestically. The same thing applies to other energy objects. For example, in Korce, Maliq, Cerrik, Vlore, Bistrica, Stalin City etc., a number of technical problems have been solved which made the normal function of the aggregates possible, they have increased the potential supply of electrical energy and have improved economic efficiency.

Good work was done to replace liquid combustible materials with solid combustible materials or with gas, in the thermoelectric power plants in Vlore, Tirana, Ballsh, etc.

Good work has been done and satisfactory results have been achieved by the workers and specialists of the Pierze "Light of the Party" hydroelectric power plant. They studied, experimented and successfully resolved the problem of starting the generator without raising the rotor which led to an increase in the preparedness of the aggregates; they uncovered and isolated the causes resulting in parasitic signals which prevented the protection of the power lines, etc.

The important consumers of electrical energy, such as the "Steel of the Party" metallurgical complex, the polyvinyl chloride plant in Vlore, the Ballsh petroleum refinery and others, have put the energy system at the top of their special list of high priority requirements. In order to respond to these requirements many workers and specialists, from the grassroots and headquarters, have been activated and are working on more than 180 scientific studies and themes.

To resolve these important problems we are working in close cooperation with the Computer Mathematics Center of the Academy of Sciences and the university departments for the introduction and broad utilization of scientific methods. Important problems have been resolved, such as defining an optimal plan for the energy system which will assure the most rational distribution of the flow of energy, not only to cut power losses in the system, but also to increase the certainty of the guaranteed supplying of energy to our consumers. With the help of electronic equipment the following are being studied and defined: short circuits at different points of the system, the absolute minimum technical work for the thermoelectric power plants within the condition of the large amounts of water brought by the rivers, and the condition of the loads on the subordinate and principal power lines within the conditions of the breakdowns which accompany the overloads etc. Studies have also been made to deal with chemical problems, especially to decrease the effects of corrosion by using rational methods of work. As far as thermal problems are concerned, attention has been concentrated on lowering the costs of combustible materials per unit of production and increasing the use of coal with low calorific power.

Under the conditions of strengthening the system by introducing new sources, especially the "Light of the Party" hydroelectric power plant in Fierze, which

double the present power of the system and will increase 20 times the hydro-energy reserves in the lake that has been created, bigger and more complicated problems face our workers in the energy sector to satisfy the demand for energy supply by all the consumers in general and the more important consumers in particular.

Special attention is being given to the scientific processing of the hydro-electric power plant basins in order to assure the optimal exploitation of water power reserves. A group of energy specialists and mathematicians are working on this plan together with the Computer Mathematics Center in the Academy of Sciences, with the university, and with the Hydrometeorological Institute, and others. This study will make it possible, in accordance with flow from the rivers, to exploit the lake waters more rationally.

Decreasing the various losses in the system, decreasing internal consumption in the power plants, especially in the thermoenergy area, lowering the consumption norms of combustible materials by improving the plans and by certain reconstruction, replacing liquid combustible materials with solid ones, discovering the causes of corrosion etc., defining measures to lower negative effects in the system and other mechanical, chemical and thermoenergy problems are also important energy-related tasks. This requires increased cooperation with specialized institutions, such as the Academy of Sciences, the University, the Ministry of Construction etc. This requires, among other things, the perfection of the organization of work and the strengthening of the nucleus of studies at the center of the system. Parallel to this, a mass training of all the cadres in the system, a better organization of post-graduate courses and better scientific activity at headquarters and at the grassroots, improvements in the first levels of job qualification are matters that are becoming more and more items of priority importance. Knowledge of the results of contemporary scientific research work in the energy field requires the best possible organization of scientific information in order to advance these studies as much as possible. The workers in the energy sector will apply all their forces to realize the important tasks set down for them by the Eighth Congress of the Party.

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MINISTER VIEWS SLOVAK AGRICULTURE, NEW MEASURES

Bratislava ROLNICKE NOVINY in Slovak 13 Jan 82 pp 1, 3

[Speech by Jan Janovic, minister of agriculture and food industry of the Slovak Socialist Republic, at an active concerning the tasks following from the CPCZ Central Committee's Fifth Session: "Accelerating the Intensification Process"]

[Text] To understand correctly the new measures for improving the Planned Management System in our agriculture, it is necessary to bring to mind the significant changes that have taken place since the last adjustment of this system in 1967 and also to put the new internal and external conditions of development in agriculture in a new perspective.

The first significant fact is that a certain break occurred in the long-term dynamics of the growth of agricultural production in recent years. In the last 15 years, the total volume of agricultural production increased 60 percent nationally, despite the decrease in the total area of agricultural land by more than 300,000 hectares and the decrease in the number of workers by 295,000. Agricultural production per hectare of land increased nationally 66 percent and labor productivity by 112 percent. Under the same conditions, cereal production doubled, production of oil plants increased 207 percent, livestock by 45.5 percent, milk by 50.6 percent and poultry by 233 percent. This permitted increasing supplies of better quality products, primarily from animal production.

In accordance with the intention to gradually balance the economic level in both republics, agricultural production in the Slovak Socialist Republic [SSR] increased even more rapidly than in the entire country. During 1965-1980, the SSR share in national agricultural production increased from 30 percent to 32.3 percent.

During the Sixth Five-Year Plan, however, the dynamics of the growth of agricultural production slowed down and the planned intentions remained seriously unfulfilled, primarily in the development of plant production. This area in particular was affected by the consequences of extreme climatic conditions, by the decrease in acreage and in the pace of intensification investments in soil and nourishment and protection of plants, by long intervals in machinery supplies, but also by persistent shortcomings and weak points in the use of material production factors.

In connection with the general slowdown of the growth rate of the total volume of agricultural production during the Sixth Five-Year Plan, which increased nationally 9 percent, plant production increased only 6.7 percent instead of the planned

14 percent, whereas animal production increased 11 percent. Therefore, the planned production and consumption of animal products could be secured only through increased imports of fodders. Rather than the originally planned 3.5 million tons in grain imports, the country imported as much as 7.8 million tons during the Sixth Five-Year Plan, which is 4.3 million tons more than the plan's expectations. Thus, we did not succeed in increasing the level of the country's self-sufficiency in grain; it remained essentially at the level of the Fifth Five-Year Plan.

The imbalance between fodder resources and animal production needs was deepened by the fact that the assignments in the purchase of hogs and poultry were relatively easy to fulfill and even exceed, since hog and poultry raising requires high grain supplies, whereas the development of cattle and sheep raising, where feeding is based on bulk fodders, lagged behind the plan's expectations.

As was emphasized at 13th Session of the CPCZ Central Committee as well as in congress discussions, principal economic and political reasons do not allow continued development of animal production and increased animal product consumption to be supported by expanding grain fodder exports and, therefore, it is necessary to quickly achieve self-sufficiency in domestic production even in this area. The Fifth Session of the CPCZ Central Committee imperatively restipulated the requirement to overcome the imbalance between resources and demands for fodder; this should be achieved, on the one hand, through all available measures aimed at increased domestic production of fodder and improving its quality, on the other hand, through consistently fulfilling another exceptionally serious task--to adapt the entire extent and structure of animal production to our own fodder base.

Our foreign-exchange currency balance and external political and economic circumstances forced us to intervene in the general dynamics and structure of animal production as early as 1981, immediately after it had become clear that there would be a considerable drop in grain yields, which actually amounted to 1.6 million tons nationally, 646,000 tons in the SSR.

As you undoubtedly know, the CPCZ Central Committee Presidium and Czechoslovak Government adopted active measures aiming at solving the situation in feeding farm animals during the 1981-1982 economic year. As early as last September when extensive hog raising began being reduced, a conception of reducing meat and milk production in this year's plan was adopted.

In this situation, it became clearer than ever before that the conception of self-sufficiency in fodder requires increased responsibility from enterprises for the internal balance of plant and animal production and developing surplus supply necessary in order to balance the fluctuation in fodder harvests. Consequently, all management units must provide significant support, primarily through economic means, to the orientation toward beef cattle and sheep raising, for which we have large potential resources in our own fodder basis.

There are other unfavorable circumstances restricting the possibilities of the intensification of agricultural production. The situation in raw materials for the manufacture of nitrogen and phosphoric fertilizers as well as that in foreign-exchange currency resources for agrochemical imports appear to be very complex. For this year, we must expect the nitrogen fertilizer supplies to be lower than last year. This fact only emphasizes the urgency of the measures aiming at rational utilization of these fertilizers and the elimination of the losses in fertilizer nutrient value during storage and application.

Further, we must confront yet another limiting factor--significantly reduced resources of motor and heating oils. The extent of the reduction is such that it cannot be coped with merely by applying rationalization measures. Considerable changes in production volume and restructured general economic activities of cooperative and state farms are equally inevitable, with all the consequences to performances and financial resources. The System of Measures stimulates here economizing to a maximum extent primarily in such a way that the increased costs of fuel and energy will be largely covered by the purchase prices of agricultural products. Those farms which apply technological methods less demanding in terms of energy and simultaneously increase production and which sell more preferentially priced products and save more motor and heating fuel will profit economically.

The measures adopted for this area are not temporary or transitory either; they represent new approaches, including the reevaluation of some technological and production conceptions. As CPCZ CC Secretary Comrade Pitra stated at the Fourth Session of the CPCZ CC, it is especially the drying program that must be revised from this point of view. It is expected that dried products will be limited only to protein components for fodder mixtures. The production of dried components for granulated fodders must be reduced, the working methods in plant production must be organized adequately, unnecessary transportation of machinery must be eliminated, changes in production organization and distribution which undesirably extend distances in the transportation of fodder and natural fertilizers must be avoided. This frequently means many radically changed conceptions in the construction of the material and technical basis of agriculture as well as changes in our intentions for concentration and specialization of agricultural production which were formed in the period when the problem of fuel shortage did not arise so sharply.

Consumption Control and Supervision

We paid much attention to this question in the preparations of the 1982 plan. A special team of experts at the ministry elaborated these problems in detail. It will be determined centrally which needs for motor oil, fuel and energy must be given priority. An administration hierarchy reaching down to individual enterprises has been established for objectivizing the elaboration of limits stipulated by the plan. However, the main task was to determine what technical, organizational and economic measures should be taken at particular stages of management to minimize the negative impact of the reductions in fuel and power resources on the production and the economic activity of organizations in general, specifically in agricultural basic-production enterprises. The draft of these measures utilized also the knowledge and experience of those enterprises which have been seeking ways and means of reducing the consumption of power resources, both last year and this year.

Also in other material resources intended to intensify agricultural production and to increase labor productivity, including the investments program, we are enforcing a determined orientation toward maximum efficiency, toward the use of directions in scientific and technological progress facilitating economizing with material and power and toward full use of the existing, effectively modernized, production technology basis. As the report by the CPCZ CC Presidium puts it, "...it is important that we exploit as many high-quality products as possible from each acre of soil, each farm animal, each invested or paid crown, each kilogram of fertilizers and each unit of energy."

The transition to this approach, emphasized essentially long ago but never properly adopted, will be very demanding, since it is a complex task. Certainly, we have considerable unused resources in the subjective factor. Much can be done especially through increasing discipline in work and technology. Therefore, significant technological systems for raising individual crops have been developed and will be introduced gradually in agricultural enterprises. Special attention will be paid to areas and enterprises that lag behind; we will discuss this later.

In order to elevate the level of qualifications and to consistently supplement technical knowledge, higher requirements will be demanded from our training and postgraduate education institutions. However, in many areas technical progress and the results of rationalization are conditioned by further, technically more improved investments in agriculture.

Apart from mobilizing people for harvesting fodders, the basic problem of coping with the situation in bulk fodders also requires sufficiently adequate technology for working on hillsides. The progressive direction which we started in this area several years ago, i.e., hot-air fodder drying, must be now substantially restricted and replaced by other ways of effective conservation and treatment. Similar problems in the area of production technology also exist in other sectors. In recent years, the mechanization of agriculture has become a bottleneck not only in terms of the productivity of labor, but also production intensity, reducing losses in finished production and quality.

All these circumstances, new tasks and the directions and methods of fulfilling and limiting these tasks had to be incorporated into the 1982 plan, which is unusually demanding for all sectors of the agriculture-food industry complex. Some problems will even have to be resolved in the last phase of the process of planning, i.e., while completing plans for individual enterprises and even in securing seasonal work.

Only Through Intensification

The main task of our program for 1982 and the central measures for securing the same can be summarized as follows:

To increase the yield of grain represents a number one task. The plan expects a yield equalling 3.8 million tons from 875,000 hectares of fields. This is 290,000 tons more and 16,000 hectares more than the average during the Sixth Five-Year Plan. If we do not secure the yield to this extent, we will not be able to restore the dynamics of animal production growth. This would have far-reaching consequences both for the balance of domestic trade and the economy of agricultural enterprises. We can achieve a lot through improving agrotechnology, but we must also secure ourselves through preparing grain fields according to the plan.

Bulk fodders represent another--and it is necessary to say--central task of further development of agricultural production. The course for bulk fodders can in no way be solved through increasing grass acreage over arable soil as is sometimes suggested or even recommended without any knowledge of deeper relations.

Our efforts, as well as all the measures aiming at improving the situation in bulk fodders, can be realistically secured only through intensification, through utilizing all permanently grassy areas, substantial reduction of losses during harvesting,

transportation and conservation of fodders, stabilizing the production of intermediate products at least at this year's level as well as through good use of straw. Also, complex care for improved quality of bulk fodder must be included.

This year will be a year of extensive construction of silos, hay-drying buildings, haylofts and so-called pasture areas. We want to direct investment limits, the capacities for agricultural enterprise construction and self-aid construction precisely toward this type of construction. A directive has been issued instructing disapproval of plans that do not provide for a substantial increase in the construction of these facilities, primarily in the Central Slovak and East Slovak Krajs. Yet, before the spring harvest we must secure more effective conservation means in a way better than in previous years.

Also, the solution to the problem of the quality of fodders must find its right place in reward schedules and in the criteria for personal monetary incentive of enterprise managers and supervisors as well as in overall operative management and control, directly in agricultural enterprises but also in superior authorities.

In relation to the need to maximize the supplies for domestic trade market funds, vegetables are becoming more and more important. For a long period of time we have not been successful in securing desirable development in this area, from the material and technological equipment for basic production and related units to the problems of satisfying the needs in consumer assortment and quality.

With the meat market funds reduced, it is possible to expect an increase in the demand for vegetables, particularly for those that have been in short supply. The SSR Ministry of Commerce demands an increase in the production of cauliflower, cabbage, green beans and green peas. The ministry will provide maximum assistance to purchasing, commercial and processing organizations and will secure their requirements in order to facilitate the fulfillment of the assignments in vegetables to a maximum extent.

To secure the purchase of vegetables in short supply--garlic, summer vegetables, greenhouse vegetables--it will also be possible, if necessary, to determine purchase assignments in the form of obligatory indices. We have also stipulated the principle of self-sufficiency for counties for those kinds of vegetables which can be grown under given conditions as complementary to regular crops. In this connection, differential extra payments have been introduced for selected kinds of vegetables.

One of the key tasks in agriculture is to secure the planned production of sugar beet and sugar; in this area, the assignments have remained seriously unfulfilled in recent years. Even last year, the purchase plan for sugar beet was fulfilled only slight over 92 percent.

Not an Easy Task at Present

In the area of animal production, the planned purchase of livestock constitutes a primary task. The plan for livestock purchase from state funds is 12.1 percent lower than original intentions, however, it does not mean that this task will be easy, since fodder resources are even lower.

The rationalization and intensification program is of primary importance for next year's animal production. Beside other things, it means solving the problem of effective use of fodder and improving the animal-production economy far more consistently and with results better than at present by reducing animal-mortality rates during raising, and by improving the results in reproduction, especially in beef cattle, sheep and poultry.

A series of both technical and organizational measures will be adopted in order to implement a complex nourishment program concerning both bulk and grain fodders and protein components using effectively fodder surplus from all available resources.

Several measures have been adopted to control better the purchase of livestock with a necessary quality structure. There are considerable unused resources for better space and time distribution of breeding patterns for hogs and one-day poultry and in more disciplined adherence to time schedules for beef and poultry meat purchase.

The specifications of assignments in food-industry production, in market-fund supplies, exports and basic indices for the financial plan is based on the effort to reinforce the intensity of evaluation in final products to an extent even larger than in recent years, not only through technical and rationalizing measures, but also through innovating production technology and product assortment. This is a demanding, but the only realistic, way to overcome the narrowest spots in the resources of domestic and particularly imported raw materials. Also, our industry should be more active in trying to resolve the problem of appropriate packaging.

The plan elaborated at the ministerial level expects that the increase of finished products and technological innovation will affect considerably and favorably the economy of the meat, dairy, poultry and preserving industries as well as the volume of commodity supplies from these industries. However, not small profits are also expected to result from the rationalization and innovation programs in the areas of sugar and candies, mills and bakeries, cosmetics, etc.

In discussing the program, particularly with respect to food-industry tasks, we emphasized strongly that general and enterprise directorate managers, cooperating with foreign-trade enterprises, seek intensely and organize flexibly effective complementary export-import operations, including cooperative actions. Another important thing is to make rational use of some temporary surplus processing capacities and not fully utilized labor forces even in such areas where there are only seasonal fluctuations in raw-material resources. Also, it is required that economic production units [VHJ] and enterprises seek solutions to their problems more intensely and persistently, in cooperation with their customers and the suppliers of material means necessary for food-industry production, particularly package and machine technology lines and equipment.

We consider maintaining a balanced food market an important task even from the political point of view, and it should be viewed as such not only by direct producers but also by all who either directly or indirectly create material and technological conditions for failure-free operation of food production and the market network. We believe that we would run considerable risks in this area if we did not expect a certain fluctuation both in raw-material supplies from both agricultural production and exports as well as in consumption, which is also

affected by extraeconomic factors such as consumer attitudes and behavior. However, the efforts to balance the fundamental ratio between the citizen's purchasing fund and the volume of goods supplies to as domestic market necessitated determining the assignments for the workers in the food industry as reaching extreme limits, and some questions which have thus remained open must be solved during the implementation of the plan itself.

Just as in field basic production, we expect thorough, detailed elaboration of technical and organizational measures for securing the planned tasks of the food industry, measures which will be prepared by special teams of experts and managers at all levels.

On a New Way From 1 January

Simultaneously with dealing with concrete problems of the 1982 plan and specifying assignments even for internal enterprise organizational structures, executive guidelines and adjustments are being completed in our ministry, which relate the approved principles of the improvement of the System of Planned Management in agriculture, effective 1 January 1982, to concrete tasks.

A question can be asked, why this is taking place a year later than in other sectors of the national economy.

The situation is as follows: the so-called branch application of the principles of the System of Measures, applying to the entire national economy was adopted even for the area of agricultural basic production as effective 1 January 1981 and for some economic means, even ahead of schedule, 1 January 1980. Unfortunately, we did not succeed in dealing with some problems, primarily because of the obstinate attitudes by some streamlining organizations which did not respect sufficiently specific production, technological, organizational, social and economic features of agriculture and enforced mechanically methods suitable for industry. The controversial questions were concluded as late as during 1981 through an authoritative intervention, even though at the cost of certain--in our opinion--not always justifiable compromises. It has also been agreed that important changes in the institutional arrangement of agricultural production management cannot be justified even at the present stage, even though this aspect of the management system is being analyzed.

The Set of Measures for Improving the System of Agricultural Management has been published in the form of three supplements to the CSSR Government Resolution No 249/81 and has been publicized relatively widely, particularly in a complex explanation in the CPCZ CC Presidium report to the CPCZ CC Fourth Session, delivered by a CPCZ CC secretary, Comrade Pitra.

I will mention several changes in the system, which have perhaps been most widely discussed.

As for planning, a question has been raised as to whether it is pertinent to grant agricultural enterprises greater freedom in deciding the structure of production and supplies of agricultural products.

The practice of prescribing to agricultural enterprises, more or less directly many indices which actually determined "from the above" the structure of the production and purchase of agricultural products has been criticized for a long time. It is necessary to recognize that this practice partly deprived the SDZ [United Agricultural Cooperatives] and SM [State Farms] of participation in the plan formulation and weakened their initiative and responsibility for rational utilization of their production conditions, resources and unused capacities. Therefore, the System of Measures expects that the Seventh Five-Year Plan will be accomplished with far more active participation from agricultural enterprises. Their proposals will be elaborated in the form of implementation counterplans in close cooperation with purchasing organizations, which will sign contracts with agricultural enterprises on product supplies, in which county agricultural administration will actively participate by coordination and control. We do not intend to introduce such a mechanism of incentive in the formation of a progressive plans as operated in industry, since the objective conditions in agriculture are different. The weather factor, which is always very significant, comes into play, interfering particularly with result evaluation and affecting considerably the progress of work, yields, the quality of products, the extent of losses and the amount of costs. Besides, there is no reason to prefer the so-called progressive plan to fulfilling less urgent tasks. It is necessary to reward actual improvement in the results over the starting basis and to apply the mechanism of economic incentive.

The principle of the implementation counterplan in agriculture for the Seventh Five-Year Plan is based on proposals made by the enterprises themselves with respect to specific agricultural conditions, as to how the enterprise will secure the social need for agricultural products, expressed, on the one hand, by a limited number of state plan directive and informative indices and, on the other hand, in the form of orders from purchasing organizations. The drafts of the five-year plans for enterprises will be prepared before the Seventh Five-Year Plan's detailed breakdown and will serve as a fundamental basis for the distribution of the five-year plan assignments to individual enterprises.

The state plan will determine the assignments in the purchase of grain and livestock as mandatory for all levels of management for the entire period of the Seventh Five-Year Plan, beginning with 1982. According to the directives from the SSR Ministry of Food Industry and Nourishment and the CPS [Communist Party of Slovakia], county agricultural administrations can stipulate, according to new principles, three more mandatory indices which will express the most important tasks of the plan in the production and purchase of agricultural products. Cooperative and state farms will be informed about objectivized requirements for the supply levels for other products--to be secured in interaction with purchasing organizations.

To Combine Interest and Responsibility

Another basic intention of the Improved System of Planned Management in Agriculture is to combine more effectively interest and responsibility of all branches that participate in securing the nourishment of the population, i.e., to plan the agriculture-industry complex as a real whole. This is a question of better interrelations between the agricultural production plan and its material and technical fulfillment in a situation when about 70 percent of material investments into this sector has its origin in other sectors of the economy.

Therefore, the plan is expected to be formulated by planning commissions as based on proposals from all sectors that participate significantly in securing production in terms of material and technology. This will be a comprehensive plan for the agriculture-industry complex, which will guarantee the satisfaction of the needs necessary for agricultural and food production, according to the system of assessed indices. The plan will be submitted for approval to the federal government as well as to national governments, and its fulfillment will be evaluated by ministries, planning authorities and, in its totality, also by the governments.

This measure, which will be elaborated further according to acquired experience and the success in overcoming conservative approaches, is expected to contribute considerably to the solution of the bottlenecks which exist in this area due to extreme separation of branches and unbalanced planning.

Changes will also be made in planning the replacement of fixed assets. From the point of view of enterprises, the new categories in investments are of primary interest. Action with a budget not exceeding Kcs 5 million will be considered "under limit," which should simplify the investment process and make more room for the program of effective constructions and reconstructions of farm buildings, storage areas and the like.

Further, the so-called green investment will be extended by such actions as, for instance, field roads, dunghills, pasture improvements and the like. In the cases of "over limit" investments, however, the responsibility of the ministry for the determination and distribution of actions has been increased.

The significance of the plan in the management of the scientific and technological basis and the implementation of scientific and technical development has been increased.

The economic means of management are being changed significantly. The approved adjustments aim at encouraging economically stimulated interests in agricultural enterprises in increased production with a socially desirable structure and strengthening the khozaschet position of enterprise's in financing extended replacement.

A fundamental question has been how to encourage economic incentive in the development of beef cattle raising and some industrial crops and at the same time increase the pressure for more rational utilization of material-intensification investments which are in short supply, particularly imported material.

A conception of reinforcing the decisive distributive functions of the prices of agricultural equipment and purchase prices of agricultural products has been adopted. Even though price changes have been proposed in such a way as to minimize the resultant differences in the incomes of enterprises which operate under different production conditions, it has been inevitable also to reinforce such system means as will solve the effect of the profit differences on the enterprises' khozaschet efficiency and on the resources of their extended replacement.

Thus, a relatively large shift in the levels of individual types of prices as well as other economic means has resulted. I will mention here only some basic instances.

The intervention of the fodder mixture prices for agricultural enterprises is reduced Kcs 3.5 billion, i.e., 15.6 percent on the average. The following increase of costs in animal production is reflected in increased purchase prices of animal products.

Another measure in the area of input prices endeavors to cope with the consequences of increased wholesale prices of some industrial and building industry products, effective 1 January 1982. As a result, for instance, prices for spare parts have been raised 4.4 percent on the average, metallurgical material will be approximately 15 percent more expensive, construction material 11 percent higher, construction investments will be raised approximately 8.7 percent, machinery investments 5.4 percent, etc.

The total impact of the changes in these prices on agriculture represents Kcs 2.3 billion nationally, which is also reflected in the total sum of agricultural costs.

To a considerable extent, the increased agricultural costs also reflect a further increase of motor oil and light heating oil prices. As is the case in other areas, agricultural organizations must accommodate 20 percent of the total effect of this measure in their costs, as indicated in the adopted rationalization measures. With this 20 percent subtracted, the impact of this measure as reflected in agricultural costs represents Kcs 1.7 billion nationally.

The total input-price increase represents Kcs 6.9 billion, of which roughly 6.5 billion is reflected in increased agricultural costs.

Apart from balancing finances in this way, the total sum of agricultural costs is being increased by another nearly Kcs 3 billion, as a reaction to a long-term decrease in the khozraschet efficiency of agricultural production as a result of a low production and economic effect of always more expensive material investments and labor value added.

Increased Receipts Rewarded

This measure represents a boost of the present profitability of agricultural enterprises nationally on an average of roughly 3 percent. (Profitability decreased more than 5 percent during the Sixth Five-Year Plan period.) The proposals have been approved and formulated considering that many enterprises, including state farms, are capable of creating necessary resources from their own activities and with a reasonable credit load. Now, true, the effect will be lower than expected, since both animal production and the advantageous transportation activities of agricultural enterprises will decrease as a result of the oil shortage.

Bonuses for current-year receipts higher than the average of the previous 3 years represent new or, more precisely, "old-new" means; the bonuses may amount up to 30 percent from the difference achieved, out of which amount a portion is directly allotted for personal monetary incentive.

The approved measures ascribe particular importance to better and more effective application of socialist principles of economic incentive for enterprises, workers, collectives and individuals. Direct control over average bonuses in agriculture

was dropped as early as 1981. The relation of the volume of wages and bonuses and total performance in both areas of agriculture will be taken as a standard for the development of wages and bonuses.

The method of control described above is based on the need to stimulate maximum intensification of agricultural production. If applied consistently, it will be sufficient to prevent the inflation of wages and bonuses and, simultaneously, efficiency will be strongly stimulated by factors more flexible than before. There are not sufficient reasons in agriculture for adopting the general program of direct dependence of wages on the labor value added which has been adopted in industry and the production-technological and economic nature of agricultural production does not even make it possible.

Special measures are being adopted to deal with the serious problem of enterprises that have long been lagging behind. In our country, this question has been discussed even by the Presidium of the Central Committee of the CPSL and the SSR government and according to the procedure approved, these enterprises will design a special program of effective intensification of their production, which will also constitute a fundamental condition for winning the right for aid from the state budget. Finances allotted in this way must be intended for strictly defined purposes. They will depend on detailed programs and will be allowed to be used exclusively in dependence on the fulfillment of these plans. For these purposes, a fund for production intensification has been established by national ministries, concentrating present finances, provided in the form of stabilizing grants and investment subsidies.

At present, every cooperative and state farm must embody new measures concerning the planning of economic means and the economic incentive system into specific internal rules and regulations and the khozraschet internal management. It is necessary to restate here, as CPSL CC secretary Comrade Janik said at a CPCZ CC session, that "...khozraschet is frequently considered as of concern only to economists and workers in economic departments, less to chairmen and directorates and even less to other managers and supervisors, namely production technologists;" however--I quote again--"...we must make managers realize that khozraschet is a complex organizing economic system of management for socialist enterprises."

Our management units must pay considerable attention not only to clarifying the fundamental changes and new measures in the management system, but also to profound knowledge of all executive regulations that are being issued. Much depends on how we explain all these problems to working people, how we manage to stimulate their activity by mass political efforts. Political, organizing and campaigning efforts of all party and social organizations as well as competent economic publicity campaigns and education, including courses for the staff from management units at all levels, will play an important role.

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PROBLEMS IN MEAT PRODUCTION EFFICIENCY REVEALED

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[Article by Eng Jiri Rahak, Eng Zdenek Halcl, Eng Miroslav Slouka, and Eng Alena Spitalska, People's Control Commission of the CSSR: "What Shortchanges Our Tables"]

[Text] In per capita meat consumption (which in 1980 amounted to 85.6 kilograms), Czechoslovakia ranks among the top 20 countries in the world and among the top 10 in Europe. Nevertheless, a check of rational meat management carried out last year by a team of people's control agencies indicates that it would be possible to obtain still more meat from the same number of animals. In other words, this check uncovered significant unused potential and losses along the chain from primary agricultural production through the processing and distribution spheres right up through final meat consumption. This article will present the most important findings of this check, and at the same time also identify possible means for eliminating the discovered shortcomings.

The assurance of increasing meat consumption has not been taking place completely within the spirit of the main strategic objective of the development of the agricultural-food industry complex, i.e., the constant strengthening of our self-sufficiency. To be sure, we have succeeded in gradually limiting meat imports, but the structure of its production has diverged from the possibilities for the production of fodder in the plant production sector. While in 1970 the per capita consumption of beef represented 36.3 percent of total meat consumption, in 1980 this percentage was 34.2. On the other hand, consumption of meat from monogastric animals (swine, poultry) amounted to 60.3 percent of the total in 1970, and had increased to 64.9 percent of the total by 1980.

The production and consumption of meat from those animals which require grain and quality protein supplements in their feeding grew more rapidly. Because our production capacity was not up to this, livestock production in the Sixth Five-Year Plan was assured for the most part with concentrated fodder imported even from non-socialist countries. The priority development of pork and poultry production depleted the quality concentrated fodder necessary for the feeding of cattle. This, together with insufficient attention to the production, harvesting, and storage of bulk fodders led to an intensification of extensive trends in meat production during the last five-year plan.

is in the area of primary agricultural production, especially that of cattle. The number of cattle increased 13.2 percent in the Sixth Five-Year Plan, but the production of beef increased only 7.6 percent. Weight increases for feedlot cattle declined steadily from 0.79 kilograms per head per day in 1973 to 0.72 kilograms per head per day in 1980 and even to 0.68 kilograms per head per day in the first half of 1981. This means that a larger number of animals is necessary to produce the same amount of meat, and therefore that a portion of the fodder stocks are unnecessarily consumed.

With regard to planned targets, this declining utility value is necessitating the procurement of cattle for slaughter at ever lower average slaughter weights. Between 1975 and 1980, average slaughter weight declined an average of 20 kilograms, and by an additional 2 kilograms in the first half of 1981. An increase in 1980 slaughter weights of 4 percent (i.e. to the 1975 level) would have provided approximately 15,700 extra tons of dressed beef.

There is a significant difference in slaughter weights, both among territorial area and according to the time of the year. For instance, in the North Bohemian Kraj 1980 slaughter weights were 39 kilograms lower than the average for the CSR, and 35 kilograms lower in the Central Bohemian Kraj. Moreover, slaughter weights commonly decline toward the end of the year in the interest of fulfilling the procurement plan. Between January and December 1980, the average slaughter weight of cattle for slaughter declined 18 kilograms in the CSR and 46 kilograms in the SSR. Certain firms even fulfill the cattle procurement plan with cattle weighing under 400 kilograms, while others which have fulfilled the plan leave cattle which are ready to be slaughtered for the fulfillment of targets of the next year. The negative consequences of these differences may be eliminated by improved planning of procurement tasks according to the actual possibilities of livestock production.

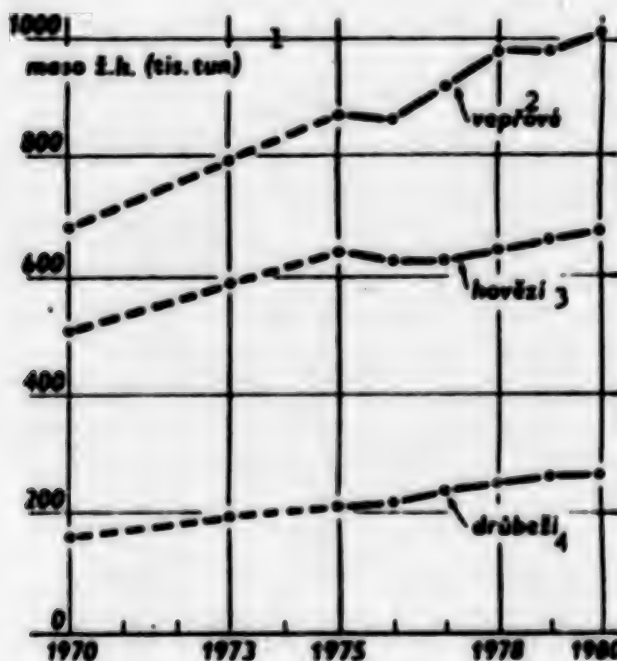
Shortfalls in beef production are balanced by the exceeding of planned targets in the procurement of swine and poultry for slaughter. Excess deliveries of only 14,200 tons of live weight swine in 1980, or roughly 140,000 extra swine, nevertheless represents the unplanned consumption of about 56,000 tons of concentrated fodder. This would be enough to cover the ration of concentrated fodder for cattle throughout the republic for 10 days.

Intensification of cattle and swine production requires fundamental changes in the management of agricultural production. We must reduce the percentage of monogastric animals, which require a lot of concentrated fodder, and merge the structures of plant and livestock production in such a way that the bulk and concentrated fodder which is produced (in optimal amounts on agricultural land) will be sufficient for the nutritional requirements of the herds of livestock which have been adapted to this production structure. Only by increasing the nutrient content of the daily fodder ration is it possible to achieve higher daily weight increases. This will shorten the period required for fattening, and the improved utilization of concentrates in fodder rations will make it possible to reduce its overall consumption for the same meat production.

The deaths of livestock lead to substantial losses of the raw materials for meat production. It is, of course, impossible to eliminate them completely, but their numbers are unjustifiably high. Most of the deaths are of young; in 1980 almost

Meat Production, 1970-1980, in Thousands of Tons Live Weight.

Produkce masa v letech 1970-1980 (v tis. tun živé hmotnosti)



(Pramenem grafů jsou statistické ročenky ČSSR, u tabulek jde o vlastní výpočty autorů.)

Key:

1. Meat, thousand tons live weight
2. pork
3. beef
4. poultry

Source: CSSR Statistical Yearbooks

The shortfall in last year's grain harvest and the impossibility of continually repeating imports of ever more expensive feed grains in excess of the plan have forced a reevaluation of the current evolution of livestock production and meat consumption, both in terms of their structure and desired amounts. The objective is the achievement of a balance between plant and livestock production and the further strengthening of our self-sufficiency. In the future it will be the case that the level of meat consumption will depend solely on the capacities of our fodder base and planned imports of fodder.

We Need Not Waste So Much

The inspection of rational meat consumption pointed to a number of sources of unused potential and unnecessary losses in meat production. The greatest unused potential

100,000 calves and about 740,000 suckling pigs died. Nor may deaths among older livestock be ignored. In 1980 almost 87,000 head of cattle died (exclusive of calves) and 476,000 swine (exclusive of suckling pigs).

A large part of this situation is due to inadequate husbandry care, the failure to maintain zootechnical and zoohygienic principles, the irregular feeding of animals, shortages of or low fodder quality. Also a factor is the inconsistent performance of veterinary service, and on occasion shortages of necessary medicines. All of this culminates in illnesses of the digestive system, dietetic and metabolic disturbances. Most contagious diseases, particularly some mass infections, have a more objective character, as does a shortage of stabling facilities and the existence of inappropriate stalls.

There are significant differences in numbers of deaths among enterprises. The inspection in the CSR was directed at organizations with high levels of calf deaths. In the first quarter of 1981, an average of 13.66 percent of the calves which were born died at the 36 inspected enterprises, while, for instance, at the Zeletava JZD the death rate was 20.3 percent, at the Budisov JZD (both in Trebic Okres) it was 14.65 percent, at the Dobsice JZD, calf deaths were reduced in 1980 to 1.61 percent, while at the Modrovka JZD in the same okres (Trencin) the figure was 14.28 percent.

The main reason for this rests in a failure to maintain principles for the care of cows prior to and after delivery, in inadequate care for calves after birth, in the failure to adhere to techniques for feeding and watering, and in the failure to observe norms of hygiene. Bear in mind that for the most part calves are born at night and this is necessary to assure constant staffing of a facility. It is possible to reduce deaths by increasing the sophistication of managerial and organizational work, through greater employee discipline, and the elimination of shortcomings in the focus of material incentives. Nor is it possible not to mention the intensifying of material incentives for veterinary services directed at the reduction of death levels.

The inspection showed that consistent managerial work produces results. For instance, in Znojmo a reduction in deaths at the Jirice u Miroslavi and Jevisovice JZDs occurred on the basis of limiting losses, reducing the variable components of the compensation for responsible employees in the event that established loss levels were exceeded, and even replacing husbandry personnel.

Deaths in all categories of livestock represent annual losses of more than 70,000 tons of undressed meat. The saving and fattening of those calves which are born dead or die later represents a nationwide potential source of 60,000 tons of undressed beef. In future years it will be possible to utilize this potential, to the extent of obtaining an additional 7,000-10,000 tons of undressed meat, by improving the activity of managerial employees, husbandry personnel and veterinarians through more effective material incentives. In addition, it is necessary to alter the structure of fodder rations according to the needs of specific categories of livestock, in terms of the amount of generally digestible nutrients and their required representation in the fodder ration. There is significant underutilized potential in the structure of fodder crops in specific production areas, and in increasing the quality of harvested and stored fodder.

Insufficiently Utilized Resources

Limited sources of raw materials for meat production require that we increase yields in the meat industry (i.e., increase the ratio between the amount of raw material utilized and the amount of meat products obtained from them) by three main methods: the improved utilization of raw materials, regulation of the mix of meat products and by the processing of additional protein sources into meat products.

To stimulate the more efficient utilization of meat in the meat industry and in retail-trade organizations, the CSSR Government Presidium adopted, as early as June 1980, Resolution No 134 concerning the more efficient use of meat in the meat industry and in retail-trade organizations, and concerning measures for strengthening sources of meat. This made possible in the remainder of 1980 the obtaining of about 3,400 additional tons of raw material, expressed as undressed meat, while in 1981 an increase of almost 9,000 tons was projected.

Separators for meaty bones have also been installed for the fulfillment of the tasks related to this resolution, which will make possible improved cleaning of bones (including pork heads), thereby obtaining extra raw meat materials. However, sufficient raw materials for the separators are not always available, and export service is sometimes lacking. For instance, in March 1981, 910 kilograms of raw material, expressed in terms of daily performance, was processed on a single separator at the Plaza nad Lumnici meat combine, and 750 kilograms at the Ceska Skalice meat combine, but at the Louny North Bohemian Meat Industry factory only 380 kilograms were processed, and only 290 kilograms at the Hroznetin West Bohemian Meat Industry factory. Improved separator utilization and an increase in their numbers will make it possible in the future to obtain about another 7,500 tons of raw material.

There exist, however, other areas of underutilized potential as well. At the stage of the transportation and preslaughter stabling of animals, deaths arise which represent, in terms of annual slaughter volume, 490 tons of dressed meat. In addition, there are other losses: the animals go hungry, suffering from thirst, and undergo stresses due to the overall poor conditions. The worst situations arise during the emergency transportation of animals or when they must wait over Saturdays, Sundays, or holidays prior to slaughter.

Losses of this type are not even monitored or documented. State inspections of the quality of agricultural products within the context of the inspection determined that the average loss of weight prior to slaughter was 1.2 kilograms for swine, and 7 kilograms for cattle. In terms of the total number of animals slaughtered in 1980, this represents the loss, nationwide, of 6,700 tons of pork, and 7,108 tons of undressed beef. Even though in the first days of confinement primarily water is lost (as the animals become hungry), a not insignificant part of these losses is raw meat material.

A reduction in losses during transportation and confinement is also possible through improved organizational and managerial efforts in the meat industry. There is also unutilized capacity in the optimization of transportation routes without regard for the territorial range of activity of individual factories and enterprises, in a more operative management of the transfers among factories and enterprises to achieve a more balanced utilization of facilities, in the avoidance of

technical disruptions in the operations of the meat industry, in the more consistent limitation of frequent employee absences, etc.

Unmaintained Processing Standards

Significant losses also arise from unbalanced demands on slaughterhouse facilities. For instance, in 1980 the maximum number of cattle slaughtered in any month in the CSR was 20 percent higher than in the month with the lowest level (in the SSR this difference was 42.4 percent). The figures for swine were similar, with a differential in the CSR of 56.3 percent and in the SSR of 45.3 percent. The daily movement of animals fluctuates as well; in the course of a monitored month at the Holesovice slaughterhouse of the Prague Meat Industry, admittances of swine fluctuate as well; in the course of a monitored month at the Holesovice slaughterhouse of the Prague Meat Industry, admittances of swine fluctuated from 50 to 149 percent of slaughtering capacity, and of cattle from 17 to 260 percent of capacity.

Certain losses may be eliminated by more balanced procurements and improved organizational work. For a start, the quarterly divisions of the procurement plan must be more balanced. Likewise it is necessary to work out a balance between the fulfillments for individual quarters, so that overloading will not always occur at the end of a period. This is also related to a more balanced herd turnover, but also to a timely knowledge of planned targets.

Through the joint efforts of agricultural enterprises and the meat industry, it is necessary to shift more quickly from the procurement of animals firmly on the hoof (under which procedure procurement is made in terms of live weight, with subjective adjustments downward for well-fed animals and upward for hungry ones) to the more precise method of procurement firmly for meat (in which procurement is in terms of the weight of sides of the animal which have been processed at a slaughter house). Firm procurement for meat assumes the slaughter of the animals within 34 hours, which limits, then, preslaughter losses and also makes possible fodder conservation, since certain agricultural enterprises unnecessarily feed animals prior to slaughter in order to achieve increased weight and, therefore, income. This is no longer effective when payment is based on the actual weights of processed animal sides. The modification in wholesale prices applicable to the meat industry as of 1982 should also aid in the more rapid expansion of this more objective method of procurement.

Additional losses of meat and meat raw material are also the result of what is known as "confiscation" in the meat industry. It is a question of meat that is completely unusable by people, and which is therefore transported to veterinary decontamination institutes. Such confiscation reaches an annual level of more than 21,000 tons of undressed meat (in 1980). The confiscated meat includes body parts of slaughter animals, internal organs, but also meat products and canned products.

A whole complex of reasons is at work here; particularly disturbing, however, are the damages caused by the failure to adhere to technical procedures, that is losses which did not have to occur had there been better organization of labor, greater management sophistication, and a higher level of material incentives. At the same time, the number of such reasons is increasing. For instance, the failure to adhere

to technical procedures accounts for 17.8 percent of the instances of confiscation of internal organs. Confiscation in the other phases of processing, those which follow the slaughterhouse, are unambiguously the fault of employees in the meat industry. The extent of confiscation declined during the Sixth Five-Year Plan in the CSR, but increased by a factor of five in the SSR.

Meat raw materials are also lost due to a failure to adhere to technical standards in the processing of slaughter animals. In 12 factories of the meat industry in both republics, we checked on whether pork fat for lard, tallow for shortening, and bones designated for processing at decontamination institutes had attached to them more pieces of meat than prescribed by standards. Table 1 presents the findings.

Table 1. Average Amount of Meat on Raw Materials (in percentages)

	Raw Pork fat for lard		Tallow for Shortening		Bones	
	standard	actual	standard	actual	standard	actual
CSR	1.5	7.83	0	7.62	0	3.25
SSR	1.5	7.28	0	4.65	0	7.90

Source: calculations by the authors

With a single exception, the standards were not adhered to in any case. For instance, at the Uvaly u Prahy Central Bohemian Meat Industry factory, the fat from the trimming of legs was determined to have a meat content of 12 percent, and the meat content was found to be 13.88 percent at the operations of the Prerov Central Moravian Meat Industry. It is testimony to sloppy work that it was not unusual to find pieces of lean meat on the trimmed fat that weighed more than 0.3 kilograms, and at times more than 0.5 kilograms (at the Ruzomberok Central Slovak Meat Industry Factory), and even of 0.8 kilograms (at the Prerov operation of the Central Moravian Meat Industry). Proof that the standards may be upheld is provided by the approach of the Puchov factory of the Central Slovak Meat Industry, where pork fat for lard contained only 0.98 percent meat, which is one-third below the standard.

If we generalize the above instances of the failure to maintain standards to the entire extent of pork fats designated for lard and tallow for shortening throughout the republic, we may state that in this way we deprived ourselves in 1980 of more than 5,200 tons of quality meat raw materials. After all, the pork used for feed scraps represented raw material for the production of more than 3,000 tons of ham salami in 1980 alone.

Standards for the cleanliness of the skins which have been removed are also not adhered to in meat industry factories. Tallow and meat remains on beef cattle skins, and are partially utilized for the production of glue, soaps, and feeds. For example, at the Kladno meat combine at the Central Bohemian Meat Industry about 4 kilograms of these raw materials remain on every skin. Another indication of the varying levels of care taken in the cleaning of beef cattle skins are the varying levels of declared reductions in skin weight, which are applied by tanners to the meat industry factories. For instance, a deduction from delivered cattle skins was applied on 10 February 1980 at Ostrava in the amount of 0.8 percent, while on the other hand on 12 November 1980 there was an 8.2 percent reduction applied at Kladno, and a 7.4 percent reduction was applied at Olesnice on 3 June 1980.

The above shortcomings come about through lack of employee discipline, the benevolence of their superiors, insufficient qualifications of the work force, the emergency processing of raw materials, etc. However, at the same time they also have more general causes. The increase in the extent of slaughtering and processing of slaughter animals has occurred concurrently with a constant increase in labor intensive operations, and the lack of utilization of all meat raw materials including internal organs. The increase in technical progress was not, you see, as rapid as the demonstrated growth in labor productivity.

It is our opinion that the growth of labor productivity has its own objective limit, because the maximum utilization of expensively produced meat raw materials is socially more efficient and necessary than high labor productivity at any cost. From this viewpoint, it will be necessary to verify objectively the labor intensiveness of individual operations and, in conjunction with this, yield standards as well. The shortfall in the 1981 grain harvest and, the related lower projected volume of livestock slaughtering in 1982 provide good preconditions for a return to the economical use of all raw materials in the meat industry, even at the cost of a little more labor intensiveness.

The Unmet Product Mix Plan

It is possible to produce differing amounts of product from the same amount of meat raw materials. The yield in the meat industry may also be increased by regulating the product mix, especially by increasing the amount of meat products (and within this, especially the high yielding groups of chopped, soft, baked and boiled products) in comparison with other groups. Bear in mind that additional proteins, of both animal and vegetable origin, are processed into meat products. For this reason, we will continue to count on an increase in the percentage of meat products; the warehousing of raw materials also corresponds to this trend (increased deliveries of swine, a greater share of pork heads, flanks, and fatty cuttings. The actual development of the product mix, however, has not been according to these management principles, as indicated by Table 2.

Table 2. Individual Groups of Meat Products as a Percentage of Total Production of Meat Products

Group	CSR		SSR	
	1979	1980	1979	1980
Chopped, soft, baked and boiled meat products	61.63	60.42	52.67	52.10
Storable products, specialties, smoked meats	37.47	38.67	47.28	47.85

Note: local specialties account for differences from 100 percent

Source: calculations by the authors

The demand for smoked meats, for storable meat products and for specialties is greater and greater, retail trade requires increasing deliveries, and this is integrated into the product mix. However, even meat industry factories at times

prefer the production of storable products and specialties and do not adhere to the planned mix. As we have determined, stores have their orders shortened for chopped and soft products such as knockwurst, frankfurters, kolbasy, and rolled salami. The Jivin Potraviny Store No 009 had ordered, on 13 March 1981, 25 types of normal products. The actual delivery amounted to 6 types. On 16 March 1981, 24 types were ordered. Delivery amounted to 4 types.

The failure to adhere to the planned product mix for meat products deprives us of meat raw materials. In the CSR, for instance, the fact that in 1980 more products were produced that required a larger consumption of meat than planned caused about 1,700 tons of meat raw materials to be wasted. In the SSR, as the above table shows, the percentage of higher yielding meat products is lower than in the CSR, and only 90 kilograms in the SSR. Given the identical yield in the SSR as in the CSR, it would be possible to obtain about 5,000 tons more of undressed meat. More than half of the above-mentioned underutilized capacity should be utilized in upcoming years by more consistent managerial activity in the meat industry and the retail trade organizations of the SSR.

The unsatisfactory development of the share of chopped and soft products has, however, other reasons as well. Shortages of packaging material have gradually been intensifying, especially of intestines for frankfurter casings, the producer of which is the Cutisin enterprise in Jilemnice. The solution to this problem may be an expansion of its capacity.

However, there is also underutilized potential in the area of more efficient exploitation and utilization of domestic natural intestines, and in the development of the production of other types of covering (for instance, those made from natron and from low-pressure polyethylene) and in the utilization of nonpackaging technology (insofar as they are not economically more costly, as they are for frankfurters). Higher sales of chopped and soft products is also limited by retail prices which are little differentiated from the prices of high-quality cuts of meat and quality meat products.

Butchering Not To Be Done at Stores

At present we have a long way to go to the comprehensive utilization of all the raw materials in the meat industry. Most meat designated to be sold as cuts of meat is transported to stores as beef quarters and as sides of pork; these are then butchered by hand at the stores themselves. More butchering within the meat industry would contribute not only to higher labor productivity but also to improved usage of raw materials, including bones. That is to say that meat is often not processed as it is supposed to be. It has heavy layers of fat, ligaments and membranes, and sometimes even hide with bristles. This has been confirmed by the findings of inspections. For instance, in only four instances in South Bohemian Kraj did the percentage of those parts which were not to be on cuts of meat account for as little as 4.2 percent of the total weight, and in one of the stores inspected they amounted to 19.9 percent of the total weight. In the CSSR, this represents a total of about 3,000 tons of raw materials, about 700 tons of which are nonfat, the remainder fatty trimmings.

At the same time, these undesirable "supplements" on meat signify, from a national economic viewpoint, a loss of raw materials which could be processed into meat

products such as liverwursts, spreads, head cheeses, as well as certain soft salamis and other smoked products. In households they are for the most part discarded. To be sure, at first it seems that the improved utilization of these raw materials will deplete the sources of the meat balance, because their weight may not be included in calculations of consumer goods inventories. However, after processing they may, for specific types of products, contribute to the meat product balance as well as the fats balance.

Greater processing, cutting, portioning and especially economical packaging in the meat industry should contribute to the economical marketing only of that amount of meat which the consumer actually requires. We cannot, however, be content with the evolution of packaging. In 1980, the percentage of packaged meat did not exceed 11 percent of total deliveries of meat sold as cuts of meat. From the viewpoint of economical and rational sales, the task of increasing this percentage to 25 percent of the total by 1985 may be regarded as a minimum.

The capacity of those packaging assembly lines which are installed in the meat industry is not being fully utilized. In 1980, a Holimatic 40 line achieved an adjusted daily output of 6.6 tons at the Brezhrad factory of the Eastern Bohemian Meat Industry, 6 tons at the Ceska Skalice meat combine, but only 3.3 tons at the Klatovy meat combine, 2.3 tons at the Louny factory of the North Bohemian Meat Industry, and only 2.8 tons at the Kladno meat combine and at the Uvaly u Prahy factory of the Central Bohemian Meat Industry.

This insufficient utilization is explained by a shortage of imported automatic scales, of packaging materials, and by the excessive amount of down time for the packaging assembly lines. Other reasons, however, include inconsistent target fulfillment and standards. The current method of meat packaging has only a hygienic character, and in no way extends the shelf life of the meat. According to industry standards, packaged meat should be sold within 2 days after it is packaged. Because, however, sales are not constant throughout the week and tend to bunch up at the end of the week, the packaging lines may not be utilized in a balanced manner.

The gradual limiting of the butchering of meat in retail stores, and a greater degree of processing at the level of the meat industry, therefore, requires the conceptual resolution of the further development of meat packaging. It would be appropriate to choose, at least in part, packaging methods which would extend the shelf life of packaged meat. It will also be necessary to clarify both the amounts and types of packaging materials, of which there is not an abundance (sometimes, however, a product is packaged luxuriously in a package made from artificial materials, even though this is unnecessary), and on the basis of this to design the development and production of a new generation of packaging machines, because the packaging machines produced currently by Pardubice Kovopodnik (at its Holic operation) are already obsolete.

Customers Not to be Cheated

Limited butchering of meat at retail stores should also contribute to greater customer satisfaction, since customers now often point out that meat has been improperly provided, with regard to the substitution of cheaper cuts for more expensive ones (for instance, pork knees which are too heavily trimmed, pork chops

which include parts of flanks), and in terms of dishonest selling. Retail inspection employees have discovered a number of such instances during inspections. In the CSR, the most common reasons for overcharging in 195 cases of inspection of purchases of meat and meat products were improper weight (82 cases), sale at improper price (17 cases) and the sale of cuts of meat that had been prepared improperly. Other causes of overcharging were improper price, the shaving of parts and improper weighing technique.

An additional problem caused by the butchering of meat at retail stores is the return of tallow to the meat industry. To protect the consumer, an agreement was reached between the meat industry and retail trade organizations whereby excess tallow is to be returned to the meat industry. As long as the meat industry factories would adhere to the standards for the permissible fat coverage of slaughterhouse-prepared animal carcasses, this should only be a question of the marbling fat of overfatted beef quarters, which is discovered only after butchering. The voluntarily agreed upon payment of Kcs 20.42 per kilogram of returned tallow is the average price for fore and hind beef quarters and is inspiring certain managerial employees to return other, less valuable, raw materials as well.

Retail stores return meat and meat products as well. A frequent reason in their low quality (for cuts of meat, this may mean processing that does not correspond to the cut delivered, or the presence of bloody remains, and the like, while for meat products it can mean split containers, excessive fluid, poor smoking, disintegration, etc.).

In many instances, meat and meat products are returned because they were not ordered. Meat industry firms, that is, negotiate with consuming organizations an annual volume of product deliveries and product mix, then adjust them quarterly. In practice, however, the supplier-consumer relations are often realized between a store manager and the loading docks for meat industry trucks. Store managers order a product mix which does not correspond to the facility potentials of the supplier, and many times they do not respect the concluded agreements.

In the okreses of East Bohemian Kraj which were inspected in 1981, there were 90 instances of returns, of which 21 were cases when stores returned goods which they had not ordered. In South Moravian Kraj, this was true in 24 of 271 instances. In the SSR, data of the general director of Zdroj indicate that returns of meat products in 1980 amounted to about 18 percent of the overall delivered volume of goods. Handling these returns increases the costs of reshipment (as goods are offered gradually in other retail stores), and of reprocessing. The respecting of concluded agreements would aid in improving supplier-consumer relations.

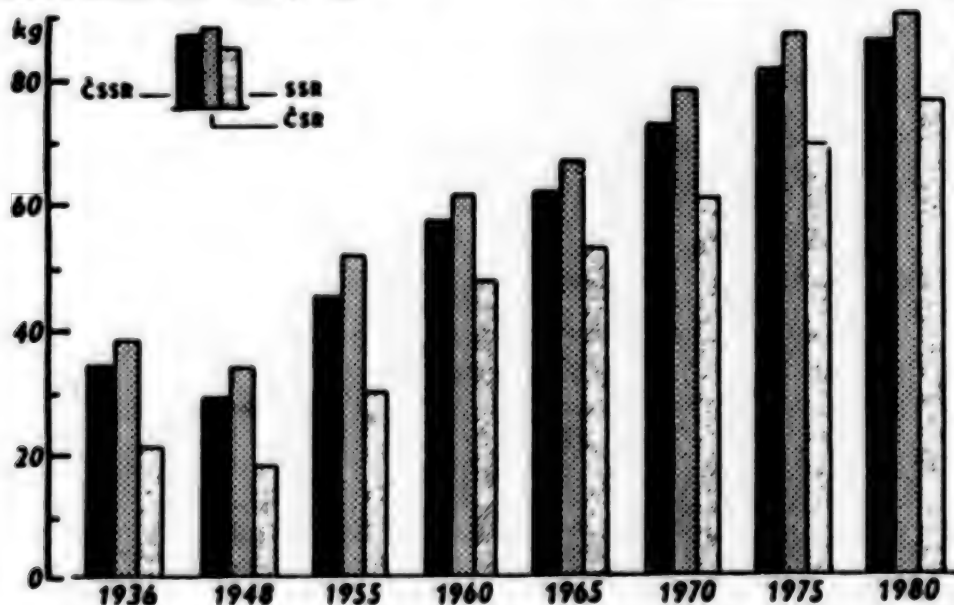
Significant losses of meat also occur right in households. It is possible to conclude, based on a random study by the Internal Trade Research Institute, that in 1979 households discarded about 51,000 tons of meat and meat products, and about 26,000 tons in 1980. These losses are caused in part by inadequate meat processing (34.2 percent of the discarded meat could be used in the meat industry) and by the low quality of meat products (approximately 48 percent of the discarded smoked products are thrown out immediately after purchase). Consumers, however, are also at fault in this, because post-purchase losses include meat discarded after improper storage (8.3 percent), uneconomical food preparation (26.7 percent), and food left on the plate (30.8 percent).

Frugality is slowly disappearing from our kitchens, and there are few homemakers who are capable of utilizing various leftovers for homemade meatloaf, stuffed potatoes, and many other dishes which may be made from ground meat. The differing approaches to meat usage are also indicated by these generalized data from a study by the Internal Trade Research Institute (which apply to 1979): about 26,000 households discarded weekly three-quarters of a kilogram of pork and a kilogram of beef (including meat products), about 30,000 households discarded weekly a kilogram of pork and three-quarters of a kilogram of beef, more than 200,000 households discarded weekly half a kilogram of pork and half a kilogram of beef, and almost 1.3 million households discarded weekly a quarter kilogram of pork and a quarter kilogram of beef. It is clear that there exist households for which waste belongs to their concept of a high standard of living, while, on the other hand, there are households which cannot afford to waste.

The constant growth in our agricultural production has contributed to a significant increase in the living standards of our population, which is indicated in part by an increase in the annual per capita meat consumption of about 40 kilograms in the past 25 years. The meat industry has been processing the entire amount of procured

Annual Per Capita Meat Consumption, 1936-1980, In Kilograms of Undressed Meat

Správná masa na obyvatele za rok v hodnotě masa na
housi v letech 1936-1980 (v kg)



Hospodářské
noviny

8

ČÍSLO 1
ROČNÍK 1982

Source: CSSR Statistical Yearbooks

livestock. There still exist, however, underutilized possibilities for the improved utilization and valuation of meat. The sum of losses and unutilized capacity, given

an overall slaughterhouse production of 963,000 tons of meat (beef, veal, pork, and lamb, in 1980) represents more than 107,000 tons of raw material in terms of dressed meat, an additional 60,000 tons of dressed beef which would be obtainable by increasing the slaughter weight of cattle. The greatest unused potential is in primary production, but there is also significant potential in the meat industry, in the distribution sphere and in final consumption. Some of these losses and this potential are exploitable through improved managerial and organizational activity at all levels of management. In the near future, changes in these areas would yield about an additional 30,000 tons of dressed meat.

The utilization of this wastage and this underutilized potential is also the focus of CSSR Government Resolution No 215 of 10 December 1981, which is based on discussions of the report of the CSSR People's Control Commission concerning its check of rational meat management. The adopted measures are oriented, in agricultural production, primarily at a reduction in deaths and at intensifying material incentives for employees of agricultural enterprises and veterinary services to reduce losses, to increase the slaughter weights of cattle, and to the more balanced management of herd turnover. In the meat industry, these measures are directed at the elimination of losses by death during transporting and pre-slaughter confinement, at a reduction in confiscation, the adherence to production standards, to the more rapid shift toward the procurement of livestock firmly in meat, at an increase in the percentage of high-yield meat products, at an increase in the processing of meat at the meat industry level, including an increase in the percentage of packaged and specially prepared meat, and at an improvement in the quality of meat industry production.

At the level of retail trade organizations, the measures aim at an adherence to applicable standards for the butchering of meat at retail stores, at adherence to agreements which have been concluded regarding the quantities and product mix of delivered products, at increasing the honesty of the selling process and at creating the preconditions for increasing the extent of the sale of packaged meat. The necessary tasks for the assurance of these principle measures have been assigned to the appropriate branch and sectoral ministries and planning agencies.

The constantly increasing difficulty of external economic conditions, the necessity for strengthening our self-sufficiency, and the increasing strategic significance of food are all forcing a much more economical and frugal valuation and utilization of everything that is produced by agricultural production. The necessity for a more decisive limitation of losses and utilization of unused capacities of all kinds from livestock production, through the meat industry, right through rational behavior by consumers will have an ever greater significance if we are not unnecessarily to shortchange our table.

9276

CSO: 2400/112

CHEMICAL FIRM MAPS STRATEGY FOR EIGHTIES

Budapest NEPSZABADSAG in Hungarian 27 Jan 82 p 10

[Article by Janos Vad manager of United Chemical Works: "Open Plan--As the Enterprise Sees It"]

[Text] Experiences of Medium-Range Planning at the United Chemical Works

This country's chemical industry underwent spectacular growth in the last 20 years; production increased almost eightfold, and productivity about fivefold. This growth, which significantly exceeds the industry's average, contributed to the welcome successes of agriculture and the food industry and made technological modernization possible in a number of areas of the national economy.

At the same time, the rapid expansion of the selection of chemical products, the contradiction between the domestic market's absorbing capacity and economical operation sizes, as well as the relative narrowness of development resources did not make possible the extent of development which could have prevented the rapid growth in the import of chemical products. The Hungarian national economy's imports of chemical products amounted to about \$1.4 billion in 1980. Decreasing these imports and more economical fulfillment of the rapidly growing demands for products of the chemical industry justify the fact that, according to the projections of the Sixth Five-Year Plan, the chemical industry must grow faster than the average of industry as a whole.

Rapid growth of the chemical industry is made more difficult also by the world market's problems. That is, in spite of the fact that the oil price explosions increased the value of the chemical industry's products within the economy, recession, unexploited capacities, depressed price levels, etc., exist on the European markets most important from the viewpoint of our exports.

Points of Emphasis in Development

Under such circumstances, it is not a simple task to designate development goals for the Hungarian chemical industry and for its enterprises which will simultaneously insure an equilibrium in the export and import ledgers of the chemical products, development of a profitable product structure and more successful utilization of the existing research and development apparatus. The achievement of these goals and insuring the future of the Hungarian chemical industry place big tasks on the chemical industrial enterprises, and among them on the United Chemical Works, which in 1980 supplied 1.3 percent of the chemical industry's output with an employment

of 750 people, and the value of its per capita production was 2.7 million forints. Calculated at world market prices, the value of production is about \$80 million, for which we are using imported raw materials worth about \$19 million. At the same time, in spite of the dynamic growth of recent years, our capitalist exports barely reach \$3 million.

We sell 95 percent of our products on the domestic market. In 1980, our enterprise with its production valued at 2.1 billion forints contributed to domestic production worth several tens of billions of forints.

The fact that the value of our imports based on capitalist raw materials are high, that the foreign currency balance at the enterprise level shows a deficit of \$16 million, is a depressive burden on the enterprise's economic operation.

We started out from these conditions when we prepared our Sixth Five-Year Plan, and make it our goal to improve the foreign trade balance at the enterprise level. During the course of this planning work, we established that we are not able either by means of improving the domestic chemical industry or within the framework of socialist integration to obtain significant quantities of those raw materials which until now we have been importing from the capitalist area. It also became evident that if we decrease production of those of our products based on raw materials obtained from capitalist imports, though the enterprise's export-import balance can be improved, the national economy's capitalist trade balance will deteriorate due to increased imports of finished products.

At the same time, there is much competition on the European market with the products we produce, these products are sold at greatly depressed prices and we can create a foundation for increasing exports only by means of radical improvements in the enterprise's product structure.

We had to find the right raw-material foundation for this. In addition to several possibilities which proved unsatisfactory, we investigated and included in the plan the utilization of domestically produced animal fats from which glycerine, fatty acids, glyceric alcohols and amino compounds can be made. As the first step, we are planning to process in the chemical industry animal fats valued at \$6 million per year, from which chemical products worth \$10-\$11 million can be produced. The cost of the investment is about \$12 million, which will be returned from the net foreign currency produced in 2 to 2.5 years. Beyond implementation of the investment, it will also require serious work to build up the market in Europe for new products produced by chemical processing of animal fats. We trust that as a result of changing the product structure we can turn the export-import balance of the United Chemical Works into a surplus during the 1980's, and we consider this to be the central issue of the enterprise's strategy.

Beyond insuring the raw material base, definition of the enterprise's strategy and development of a modern product structure also require precise evaluation of the market demands and opportunities. The preparation of medium-range plans in production enterprises usually begins with requesting information from their customers concerning their medium-range requirements. Even though we do generally receive such information, the experiences related to the earlier deficit operation manifested themselves in efforts for overinsurance in almost all areas. We see in many cases that unfounded investment ideas exist behind the declarations of requirements, and it also causes no problem for the buyer if these are not implemented, since a

contract negotiated for smaller quantities than had been declared does not cause any kind of a disadvantage for the buyer. At the same time, from the supplier's viewpoint preparing to satisfy the higher demands may involve developmental consequences. The United Chemical Works produces two-thirds of its products for further industrial processing and, in connection with what has been mentioned above, lengthy reconnaissance work has to be done at times in order to establish realistic needs.

The situation is also similar in many respects in the case of domestic sales. Here, theoretically we should start out from the point that realistic information should be provided to the producers by domestic commerce, which is in direct contact with the consumers. But the situation is not so simple because the distribution function of commerce is being vigorously implemented. The insufficient warehousing, shipping, etc., preparedness of wholesale commerce and the shortcomings of product distribution cause structural shortages and surpluses on the market. Therefore retail trade often considers the supply to be adequate even when instead of certain types of products the store has so-called substitute products. These and similar reasons lead to shortages of some items and inventory increases causing financing problems appearing simultaneously on the market. And all these things make it much more difficult to accurately evaluate demand.

Foreign Market Relations

Foreign market information is even more inadequate for the exporting enterprise. They usually have sufficient information for developing a sales strategy for commodity items where the foreign sales agencies which have great experience in evaluating the international market regularly issue market reports, prognoses and estimates for the expected price trends.

The situation is much more complicated for those products whose market situation can at best be analyzed from information published in trade journals—often in the form of brief news items. The specialized foreign trade state enterprises put out many publications now, but the producing enterprises receive the market news in these in bulk form, the summary of partial information into a more-or-less coherent picture is missing, therefore they cannot be used very well for real marketing work.

Factors of Competitiveness

On international markets, the success of products is determined basically by two factors: One, the quality of the product and the service related to it, and two, the selling price of the product, including the costs of delivery to the buyer. Today the industrial enterprises cannot really get answers to these questions from the foreign trade enterprises. Under such circumstances there are many contingencies involved in making sales abroad, and lasting [customer] relationships do not develop. It also happens that by the time industry sets up for production based on the price of products imported earlier and begins to export the product, the obtainable price is only 60-70 percent of the export price.

Each year the United Chemical Works delivers six to eight kinds of products to capitalist markets. We have only one product whose export value exceeds \$1 million per year. Even our total export does not amount to 1 percent of the export of the foreign trade enterprise which handles it. During the course of medium-range planning, we were unable to secure export demands from the foreign trade enterprise for our products. In spite of this, we have developed our export ideas, but they are not supported from the market angle. Industry has a shortage of markets, and foreign trade has a shortage in its merchandise base.

Considering all these things, the search for demand and market preparation must receive a much greater role in the enterprise's work than it now has, since this is the basic condition for effective implementation of the developed enterprise strategy.

8584

CSO: 2500/122

TV BROADCASTS ECONOMIC ROUNDTABLE DISCUSSION

Budapest MAGYAR HIRLAP in Hungarian 30 Jan 82 p 6

[Excerpts from television broadcast 21 January 1982: "Economy—Second Economy"]

[Text] The following are excerpts from the roundtable discussion shown on Hungarian Television on 21 January 1982. Participants: economist R. Istvan Gabor, sociologist Lajos Hathy, economist Sander Kopatsy, lawyer Peter Schmidt, economist Laszlo Samuely. Host: Zsolt Papp.

Zsolt Papp: One topic of discussion today is work done outside the state sector—and income earning activity. Many of our viewers are already asking, what is the role of the state here?

Peter Schmidt: This is a basic, conceptual question. Socialist development has increased the role of statehood to a large degree. The socialization process which in socialist states is accomplished in the area of economy has taken place decisively by means of the state. However, it is not accidental that very significant debates have always accompanied this process: debates centering about the NEP-era [expansion unknown] in the Soviet Union, debates over the degree of socialization, debates in Hungary over the nature of the planned directive system essentially since the 50's. Today, these debates lead to the conclusion that the role of the state must be diminished. The state's system of implements is too large; too many bureaucratic tools enter into social production. The disengagement of this system may allow us to approach the sphere of activity of the state.

Zsolt Papp: One of our attitudes is this: economy, inasmuch as it is socialist economy, is state socialized economy. Historically, how did this attitude develop?

Laszlo Samuely: We are dealing with a unique, partly historical, partly logical paradox. According to Marx and Engels, state ownership and social-scientific direction would have extended to the so-called socialized sector of the economy, for which large-scale development, industry and, in part, agriculture were already the stage under capitalism. Yet, in interesting fashion, in most countries which underwent the process of socialist revolutionary change, the unique

situation has developed that after a very short time the state sector "absorbed" not only large-scale industry, but also the small industrial, service, and other sectors. Let us take the example of Soviet Russia: according to a decree of 1920, all industrial enterprises of more than five people had to be socialized. But the socialization-nationalization process was much broader than this. According to the industrial census of the time, one-seventh of all state enterprises employed only one worker. Those of up to 15 workers comprised two-thirds. The Eastern-European developments after World War II and the later ones, from Cuba to China, demonstrate the same ratios. The question is, why? Why did nationalization and socialization well exceed that which the classics of Marxism deemed necessary? Many causes can be considered, for instance, ideological causes! The future view that socialist society is a homogeneous one, the interest of whose every member immediately and directly depends on the success of the larger society developed and spread out of the study of scientific socialism. Another reason is the economic planning standpoint.

Peter Schmidt: It is worthwhile to think through how state involvement in the housing question came about. In 1945, not at all on socialist ground, the state system received a very powerful involvement opportunity in housing management. This was a social necessity, because social equality could not be brought about in any other way. Nationalization proceeded after that. And now we have reached the point where the housing question must be resolved not as a central or social problem, but market conditions must also be connected. The debate is still in progress: one side says that many more homes must be constructed out of social reasons. We have gone too far in the direction of market economy. The other side maintains that housing management should be freed further, to speed the solution of housing problems. This in turn means crowding out the state direction. Either way, the state plays an important role in social direction, of course, but which means it uses to do this makes a difference. This is the situation with industrial direction also.

Sandor Kopatsy: We are fetishizing the question of state direction a little. It did not bother us to know that the state apparatus ordered large industry to step up its productivity, to take account of its internal underemployment, to improve quality, to economize--and of these, actually, not one goal was reached. Let us think back to how many party and state decisions were concerned with these problems. Yet we still did not question that the state could direct large-scale industry. We are ideologically perplexed with the economics of the household plots or, the second economy, either because we cannot so-to-say, direct them. On the other hand, if we go to the market, we see that many, high-quality vegetables are available, those which we need. Is this not a better realization of planned economy, a better realization of state power? We should not consider that to be state power which the state orders, prescribes, or forbids; it is also power if the state is able to realize its goal through market means, and the citizens have access to what they want. I find it important that the second economy should develop because it, too, is related to the improvement of the much more important first economy. And it would not hurt if the public opinion would once measure the role of direction by how effective it is.

R. Istvan Gabor: A fact that can give an idea of the health of the second economy is that the worktime expended here is approximately one-fourth of the total worktime base of socialist sectors.

Lajos Hethy: The objective socio-economic bases for the second economy can be found in the various individual needs, which a large industrial socialist sector bound by its organization, technology, and mass production size cannot meet appropriately. The objective base also exists in the labor and financial reserves of the population. At the same time, its origin must not be restricted to objective technological or organizational reasons. The second economy also has an origin (forgive me for the oversimplification) in the inflexibility of the first economy, the socialist sector, and the state enterprises, in disorganization, and in weak, poor leadership.

Zsolt Papp: Let us then state the question differently: Why aren't the enterprises productive?

Lajos Hethy: The party decision of February 1980 dealing with the second economy put it into words: in the second economy, proportionally higher wages and income can be attained through additional labor and additional effort. In contrast, the opportunity to attain proportionally additional income does not exist in the first economy, even if the people have the desire to do so. Even the party directives state that this would cause keeping back of activity under the first economy. It would be useless to deny that this is an abnormal situation. Since we want to stimulate more effectively, why are we maintaining this situation? One reason is central wage regulation. In the past few years, central wage regulation has resulted in a practice which fixes the wage level for one individual at enterprises at a fairly low value and in an equalized way, so that the enterprises are generally incapable of operating an effective incentive system within this framework. I do not wish to criticize wage regulation in general, because wage regulation and the wage system are necessary for numerous economic, political and social requirements. For instance, wage regulation contributed to restricting of wage increases which were not based on production results, braking of inflationary tendencies, and contributed to maintaining full employment. But it hindered realization of the goal that we move toward an effective incentive system. We must work out a wage regulation construct which aids enterprises as much as possible to operate an effective incentive system—or at least not prevent it.

Sandor Kopatsy: Wage regulation can be criticized for that reason, but everything is related to everything else. How wages can be regulated in the enterprise and cooperative sector depends on their organization and our industrial and economic policies, our rate of accumulation, our financial policies, and our tax system. If these do not change, one cannot say what kind of improved wage regulation can be effected. This question has often been posed to us practical economists, and the questioners have always been indignant that we could not answer. Perhaps the most important reasons for our economic and organizational faults are that they developed in a certain milieu of the economics of shortage. All goods production which reduces this shortage economy makes it possible for us to realize more consistent reforms in the first economy. Actually, this is the "contribution" of the second economy.

Lajos Hethy: The second economy is useful, almost indispensable to our development, but the decisive task is to make the work of the socialist sector and state enterprises more efficient. The second economy does remove certain burdens from

the socialist sector, and thus makes it possible to enact reforms there; but in my opinion, it also promotes these reforms because it is one form of criticism of the socialist sector. Systematic, scientific analysis of the second economy can provide insights to incentives or labor organization which can then be used in the first economy. In regard to the future of the second economy and the related worries, the problem must be divided into two parts. There is a part of the second economy which has already been in existence, partially in the cracks in the first economy, and which will continue to function unchanged if the conditions remain approximately the same. However, economic policies have initiated a new side in the second economy, the small business sector, which is just beginning; its goal is to draw the labor and the financial resources of the population into our development. Concerns for the future arise here. I think the political intention for a positive solution exists, but the solutions, from many standpoints, come later. The deciding question of the development of the second economy and the small business is income. Can we keep our promise that we will remunerate additional labor efforts with proportionally higher income in the second economy and the small enterprises, and can we tolerate this socially and politically--this is the question.

9890

CSO: 2500/121

MINISTER INTERVIEWED ON 1982 ECONOMIC PLAN

Warsaw ZYCIE GOSPODARCZE in Polish No 1, 24 Jan 82, pp 1,3

[Interview with Vice Premier Zbigniew Mada], chairman of the Planning Commission, by Karol Szwarc: "In the New Situation"]

[Text] [Question] In the public memory the plan for the current year has been maintained in the various forms of fear and hope, especially after these proposals were publicly presented to the Sejm last fall. Are these still relevant?

[Answer] I recall the government chose two of the three variants in the final report: one close to the hope variant and the other the golden mean variant. But they rejected the fear variant, the most pessimistic, which should not even have been given consideration in the opinion of the people. The Council of Ministers adopted the draft plan understood in this way at the beginning of December. This plan is compulsory. Today, we are proceeding to construct quarterly plans based on this.

[Question] But did not the final balance last year require essential changes in the plan?

[Answer] Many things have happened since the plan was adopted. None of the planners considered the fact that in a short time martial law could be declared. Therefore this was not allowed for in any of the plan variants.

Today we in effect have a new situation: it has developed one way in the mining industry, and it is assuming a different shape in the processing industries. For mining there is every chance that results close to those formulated last autumn by the optimistic form will be achieved as early as the first quarter, and probably in the following months as well. I remember that in the hope variant they expected coal extraction to reach about 175 million tons for the year. At the present time with a six-day work week in mining, more than 620,000 are extracted between Monday and Friday, and approximately 300,000 tons on Saturday. Therefore the achievement of these 175 million tons is highly probable.

Here we do have a certain modification. It was also published last autumn that could would be a decisive factor in the course of economic events.

[Question] There have been complaints about you saying that you have prepared a simplified outline of economic development based in principle on a single raw material....

[Answer] I was aware myself that this is a simplified approach. I only wanted to make the public aware of the great importance coal has in our economy. And in a certain sense I have done this.

However, the factor limiting development today is completely different. Namely, it is the resources entering our economy from abroad, or all raw and other materials and components for production which we import from capitalist countries. In other words, it is the lack of free foreign exchange.

The inflow of foreign exchange funds into our country, which began to be restricted sometime in the second half of the 1970's, was flowing in a very, very narrow stream as early as last autumn. And in effect this narrow stream has come to a standstill in recent weeks. Many capitalist countries have applied economic sanctions against Poland. The very harsh attitude of the United States toward the Polish economy, and the attitude of France—which was quite a surprise—and of the other EEC countries are unfortunately not favorable to us. Other countries have a different approach. For example, Canada states that it will not impose any restrictions.

But aside from the different attitudes of individual countries as expressed in diplomatic language, in economic language and in financial language we basically have no positive facts to report. Financial credits are not flowing, and transactional credits, on which we count a great deal, are not being initiated. There have even been indications of freezing our own financial resources by West European banks. We also have to deal with the phenomenon of restrictions on the inflow of raw and other materials and other goods which were contracted earlier.

In this connection in the processing industry, which was built up in such a way throughout the 1970's that it was based on technologies imported from capitalist countries and requires foreign exchange input for production, many subsectors are condemned to incomplete utilization of the potential they possess. We have industrial subsectors of which will use lower than 50 percent of their production capacity. For example, approximately 60 percent of the tire and wheel covering industry in general, which bases its production to a large degree on imported rubber, will be used in the first quarter because of the lack of foreign exchange. The fur and leather industry will not even be able to use 50 percent of its production capacity for the same reasons. The same thing applies to industries based on chemical imports.

[Question] What steps are planned in this area to strengthen foreign resources to prevent such a great collapse in the processing industry?

[Answer] We have a scenario, or more precisely several scenarios, which we have already begun to implement.

First of all, in our relations with socialist countries, we have asked for an acceleration of raw materials deliveries already contracted for the current year, so that they can be concentrated to a great degree in the first quarter and the beginning of the second quarter. In this sense Polish industry can get additional raw materials quickly, obviously those which can be replaced. At the same time we have turned to these countries for supplies of additional raw materials which have not been traditionally exported to our country and which we usually purchased in

capitalist countries. We have been met with friendship, but we are aware of the fact that there is a much more difficult problem. And in this way we will try to overcome the blockade of western imports to a certain extent.

Likewise we are establishing relations with many socialist countries to offer production services for them in those subsectors which will have available production capacity. This refers to USSR, CSSR and GDR, and will be done mainly in light industry.

But with the best of goodwill and with the greatest efficiency of action, we cannot eliminate in the first quarter the situation in which the inflow from the capitalist countries is already essentially drying up without substitute deliveries keeping up yet. For this reason I anticipate that the drop in industrial production in the first quarter of this year may amount to 8-10 percent of the level reached in the same period last year. This decline will be more acute in the processing industries.

It is clear that this will have an effect on market supplies. However, lest we passively submit to this situation, we have asked the socialist countries to concentrate in the first quarter and the beginning of the second quarter the deliveries of market goods which have been anticipated for 1982. In this way we shall first fill many gaps, and at the same time will attempt to equalize supplies by ourselves.

We are still ready for relations with capitalist countries. We wish to continue our previous financial policy and, if only it is possible, to continue our wide economic relations.

There are signs that France will introduce some deviations from its initially sharp declaration of "no" on the import of grain. The anticipated import of approximately 800,000 tons may be partially implemented and in several stages. However, the restricted importation of grain and fodder from the United States is badly restraining us. Much of our fodder grain and corn have been imported from there.

These considerations led to the question of a grain loan in our country. It has already been discussed and will be rapidly implemented, because otherwise a complete lack of even bread grains would threaten us in the months immediately ahead. For the same reasons we have turned to socialist countries for aid, which would also have the nature of a grain loan. Some of these countries have also had shortfalls in their grain and fodder supplies, since they import them. Nevertheless we want to ask for this loan, and perhaps we will be able to return the grain and fodder from harvests of future years.

[Question] Can it be said that in view of all of these facts the situation in the processing industry in the first quarter will be close to the fear variant, while the extraction industry will be close to the hope variant?

[Answer] Yes. At any rate such a situation will occur in the first quarter.

[Question] However, will there not be sectors in the processing industry which will be closer to the hope variant?

[Answer] Actually I spoke too generally about the processing industry. It has certain priorities in conformity with the so-called operational programs. In light industry, for example, the production of clothing and footwear for children and youths will increase decidedly in comparison to the first quarter of last year and in comparison to all of 1981. In exactly this case it is possible to make a rather large shift. It is similar to the chemical industry which concerns personal care items, medicines and fertilizers. It is true that in regard to fertilizers the matter is beginning to become complex for us, especially in connection with nitrogen fertilizers. We must also think of how to assure materials for the production of these fertilizers.

[Question] What will be the situation in agriculture, and what will determine it?

[Answer] In recent years we have observed active purchases of hogs, cattle and grain. However, this briskness is not completely satisfactory.

This is why the grain loan mentioned above, which would mean an additional 1-1.5 million tons of grain is considered an urgent matter. On the other hand new relations between procurement prices and prices of means of production will be introduced in the long run. Certain forms of connecting deliveries from the countryside with industrial deliveries for the countryside are also being prepared, but not in a direct form as has occurred up to now. It is rather a contractual system which is being considered.

The potential possibilities of stimulating rural economic sector are still great. A complete solution to the grain question will require several years. But to achieve it the industry producing for agriculture must first of all develop considerably faster. An increase in agricultural cultivation is also indispensable. Finally crops must be processed decidedly better, since sometimes the losses between field and table even reach 20 percent. The revival of agriculture will not occur in the course of a quarter or in the course of a year. It will require several years. After all, in this respect our projections about the end of the crisis, presented in autumn, are still valid.

[Question] Does not the economy alone have domestic resources which could mollify to some extent the negative effect of the economic sanctions applied by the West?

[Answer] First of all, at this time our economy has an elementary order and regularity. The first results of this already exist. Not only the excavation of coal, but also of sulphur and copper will probably be greater than last year.

There are also opportunities for greater confidence in our co-production associations. This does not mean that there will be an abundance of raw and other materials, but simply that it will be known in advance who will receive deliveries and who will not or will obtain them in limited quantities.

Transportation should function better. In the second half of December we had severe frosts and heavy snowfalls. However, railroad and highway transport in principle functioned normally. This is the result of martial law. What is still a plan and should soon be a fact should also have a positive effect, namely that the domestic market will acquire greater stability due to the retail price reforms instituted.

Furthermore new producer prices, new principles of enterprise financing, new principles of incentive and new principles to stimulate exports have been put into effect. All of these aspects of the economic reform are becoming facts. It is true that it will not produce immediate results and that the mere introduction of these principles will take the entire first quarter and possibly longer, but they will certainly be elements stabilizing the economy.

[Question] What methods will the central plan use to implement this stabilization?

[Answer] The obligatory elements of the central plan, which seemed unnecessary or sounded false to many people for emotional rather than sound considerations, have been given special importance.

There was no doubt among the experts that the plan should include obligatory elements....

[Question]This was written into the reform drafts at the same time.

[Answer] That is correct. On the other hand in the informational uproar on this question, in the uproar which had a great effect on the so-called mental attitude of the entire populace, the elements hostile to the obligatory part of the plan seemed to be strengthened by the myth of self-regulation. This uproar has died down, or at least is not conspicuous.

I believe, and I have already said this, that the obligatory elements have been given their own importance. This refers to such basic matters as outlays for central investments and the entire sphere of budgetary expenditures.

Obviously they also refer to the operational programs which are connected with the allotments of raw materials, foreign exchange and a definite obligation to manufacture products which are anticipated in the draft. The number of operational programs has been increased from 9 to 14. But this is not the result of a desire to increase the obligatory elements in the central plan. It is the effect of trying to give special treatment to some narrow economic sectors. Let us take, for example, the program of producing protective clothing. There was a great deal of pressure on the part of the workers not to push into the background implementation of these demands. On the other hand, in the case of the meat and fat production programs, it is not a question of suddenly taking control of an abundance of these goods, but of more reasonably managing the supplies we do possess.

[Question] What was the governing factor in introducing something essentially new in the form of quarterly plans?

[Answer] Obviously it was not the fact that the year is divided into four parts. As early as autumn we expected the economic situation throughout the current year to be differentiated in time, that winter would appear one way, the period before harvests in another way, and that things would also be different after the harvests.

[Question] Will elements of certainty and uncertainty change in the course of time?

[Answer] Obviously. The quarterly plans will be arranged from the viewpoint of the need to reassess current economic realities and also more flexible methods.

PRODUCTION RESULTS FOR 1981 EVALUATED

Warsaw ZYCIE GOSPODARCZE in Polish No 3, 7 Feb 82 pp 1, 4

[Article: "The Economy in 1981; From Main Statistical Office Materials"]

[Text] It is not easy to make even a preliminary evaluation of the work of the economy in 1981. The statistical data are merciless. They show an economic breakdown that is without precedent in our postwar history, without precedent in the history of higher developed countries of the world. We will be analyzing the reasons for this state of affairs for a long time. There are so diverse, so complex, that an economic analysis alone will explain little, for in addition to the economic sources we must delve into the reasons that lie in the social and political situation, into sociological analyses as well as historical.

In this material we want to principally present the numerical data pertaining to specific fields of the economy and to simply point out certain tendencies, without attempting to evaluate them deeply or analyzing them fully. We feel that familiarity with these data is indispensable if we are to know the condition from which we are beginning in 1982. The data are also important as a starting point for the predictions on what awaits us. We need physical work badly, but we also need the work of the imagination, based on realities and able to find active solutions to the problems facing us.

As shown in the Main Statistical Office's report, published a couple of days ago in the mass media, the generated national income in 1981 dropped 13 percent compared with 1980. There was also a drop in the generated national income in the two previous years--6 percent in 1980 and 2.3 percent in 1979. Industry had a determining influence on this drop. Preliminary estimates indicate that net production in socialized industry declined by 19 percent in 1981, in comparison with 1980 (in 1980 this decline was 1.7 percent; in 1979 this production rose 2.7 percent).

The decline in the efficiency of the economy is even more apparent in the light of data on financial accumulation. According to estimated data, financial accumulation in socialized enterprises (excluding the "agriculture" sector) in 1981 was unfavorable and amounted to 58 billion zlotys, compared to favorable in 1980 amounting to 297.5 billion zlotys and, in 1979, 414.1 billion zlotys. We wrote about the steep drop in financial accumulation several weeks ago ("The Scale of the Inefficiency", ZYCIE GOSPODARCZE, No 50, December 13, 1981), on the basis of statistical data for the first three quarters of last year. The figures from the fourth quarter show a further catastrophic deterioration in the economy's financial situation.

Sold production in enterprises and plants of the socialized industry (in fixed sales prices) amounted to 2.96 trillion zlotys in 1981, or 0.43 trillion zlotys less, i.e., 12.6 percent, over that of 1980. We observe a weakening production growth rate in industry in the 1970's since 1977. In that year, the increase in industrial production still amounted to 6.7 percent; in 1978 it was 4.7 percent; in 1979, 2.5 percent; and in 1980, there was a slight drop in this production (1 percent).

Net production in industry declined, as we already mentioned at the beginning, still further, for it was by 19 percent. Utilized financial accumulation in industry last year amounted to 48 billion zlotys against 307 billion zlotys in 1980—a drop of 84 percent.

The above-mentioned drop in industrial production (sold) in 1981 of 12.6 percent occurred under conditions, and this should be emphasized, of increased production capabilities in industry. The gross value of fixed assets in the national economy increased last year, as preliminary estimates show, 3 percent, including 4 percent in industry.

The decline in industrial production last year was accompanied by a highly irregular rate of production, greater than in past years. The characteristic of this irregularity also changed. Before 1980, during the last quarter there was generally an "improvement" in the production for the whole year. But last year the fourth quarter was worse than the first three quarters. The result of this irregularity was an exceptionally strong growth of reserves in industry, including production in progress. The value of reserves in industry at the end of last year was about 695 billion zlotys higher than at the end of 1980, which represents an increase of 9.4 percent.

The decline in production of some of the more important industrial products was described in the Main Statistical Office's report by several dozen representative examples. We will confine ourselves to the 12 shown in Table 1. We have concentrated on products in which the production drop was relatively the steepest.

As the table shows, hard coal output, which in 1981 amounted to 163 million tons, was 15.6 percent less (30.1 million tons) in comparison to 1980, and 18.9 percent less (38 million tons) in comparison to 1979, which was due to many reasons, including reduced working time and a general decline in work discipline. But at the end of 1981, a certain slowing down of the declining tendency in the coal industry was ascertained. Therefore, at an average drop, 15.6 percent, in hard coal output (in thousand tons) in relation to 1980, in the last four months the indicators of change (compared with the same months in 1980) were, successively: plus 4.4 percent, minus 9.4 percent, plus 2.3 percent, minus 1.4 percent. (Compared to 1979, they were, for all four months, unfavorable and amounted to 16.8 percent, 23.3 percent, 18.3 percent, 14.8 percent, at a 18.9 percent drop for the entire year.)

Unfortunately, there was no similar slowing down of the growth rate of production decline (in fixed prices) in most of the branches of the processing industry, including especially in the electric machinery industry, but also in many branches of the chemical industry and light industry, which was due mainly to the increasing raw-materials and co-production difficulties. But in some branches of the food

Table 1.

Item	1981 Production	
	In Absolute Numbers	1980=100
Hard coal (million tons)	163.1	84.4
Petroleum products (million tons)	13.6	81.4
Rolled products (without semifinished products for export) (million tons)	11.1	81.6
Zinc (thousand tons)	167	76.8
Metallurgical aluminum (thousand tons)	66	69.4
Plastics (thousand tons)	475	86.6
Cement (million tons)	14.2	77.2
Trucks (thousands)	37	77.7
Tractors, two-axle farm (thousands)	50.5	88.0
Synthetic fiber (thousand tons)	199.6	77.6
Cotton and cottonlike fabrics (million tons)	783.1	87.7
Wool and woollike fabrics (million tons)	103.5	85.5
Washing machines and household electric rotary appliances (thousands)	713.0	88.2

industry signs of a halt in the decline of production appeared. These were attributed to the relatively good harvest of sugar beets and certain other crops.

A setback even greater than that in industry occurred in construction. Basic production in socialized construction-assembly enterprises dropped in 1981 from 308 billion zlotys to 243 billion zlotys, i.e., 19.6 percent. This amounted to a drop of 28.4 percent in relation to 1979.

This was connected with an over 25 percent reduction in investment outlays. This represents a further significant decline in the share of net investments in the national income, from over 24 percent during 1976-1980, including from about 17.5 percent in 1980, to 11 percent in 1981. Outlays for construction-assembly work decreased in 1981 (in comparison with 1980) by 20.3 percent, which was slightly less than investment outlays as a whole. Outlays for machines and equipment dropped slightly more (24.7 percent). Outlays for machines and equipment from import declined 21.2 percent, including 18.9 percent from capitalist countries. Because employment in construction-assembly enterprises declined only 4.3 percent during this time, this also indicates that there was a marked underutilization of human labor resources in the performance potential of investments. Labor productivity per one employee in these enterprises declined (17 percent in relation to 1980 and 20.3 percent in comparison with 1979).

There was also a large setback last year in housing construction. Approximately 139,000 dwellings from socialized construction were released for occupancy, which was 22,000 dwellings less (13.5 percent) than in 1980. The decline in nonsocialized housing construction was even greater, for it reached 20 percent. As a result, we returned to the housing construction level of 1974. Yet during these years there was a large increase (from 1.3 million persons to over 2 million persons) in the number of people waiting for housing, both adult members and candidates for membership in the cooperatives.

The critical economic situation last year did not bypass any sector in the materials sphere. In 1981, socialized transport enterprises hauled a total of over 1.2 billion tons of cargo, i.e., 26 percent less than in 1980. The Polish State Railways hauled about 17 percent less, but the public and branch motor transport enterprises hauled over 31 percent less (maritime service transport dropped over 19 percent). Labor productivity declined even more because despite the drop in haulage, employment increased (2.8 percent in the Polish State Railways and 0.2 percent in the Polish Motor Transport).

The sector of materials production which, after industry, has the most important and definitely growing influence on the economic situation, is agriculture. As distinct from the remaining sectors of materials production, it is estimated that the generated national income in agriculture in 1981 was higher, by 3 percent, than in 1980. But the 1979-1980 years were a period of very sharp decline in agricultural production (0.4 percent in 1979 and 17.3 percent in 1980). In this light, the slight increase in total farm production in 1981 (about 3.5 percent in comparison with 1980) is still no cause for optimism.

The relative stabilization of total production in agriculture was accompanied by significant changes in its structure. Crop production was over 20 percent higher than in 1980. But animal production dropped 13.5 percent. Even greater changes occurred in the structure of agriculture's marketable production.

The increase in crop production last year was due primarily to the grain crops, which amounted to 19.7 million tons, i.e., 1.4 million tons more than in 1980, and over 0.2 million tons more than the average crops during 1976-1980. The increase in grain crops was the result of larger yields, which are estimated at 24.9 quintals per hectare, compared to 23.4 quintals per hectare in 1980. Sugar beet, potato, and vegetable crops were also good. The fruit crops were not as good.

The drop in animal production in 1981 was due in large measure to the poor crops in 1980. According to the farm animal census, there were 11.8 million head of cattle at the end of June 1981, i.e., 0.9 million less than in 1980 (a drop of 7 percent), and there were 18.5 million hogs, i.e., 2.8 million less (a drop of 13 percent). Data obtained from representative studies last October show that the number of cattle declined from 11.6 million head (1.1 million less than in the middle of 1980) and the number of hogs grew to 20.2 million (but it was still much lower than in June 1980, but this time only by 1.1 million).

The very difficult problem in agriculture, which had a bearing on the whole economic situation, was the drastic drop in procurement last year. In 1981, total procurement of livestock for slaughter, in terms of meat, amounted to 1.9 million tons, almost 0.64 million tons, i.e., 26 percent, lower than a year ago, and in the final months of last year this decline reached a level of 40 percent. The sharpest drop in procurement of livestock for slaughter (from 35 to 40 percent on the scale of one year) occurred in the central and southeastern voivodships.

Throughout the entire country there was an extremely large increase in free-market turnovers in farm-animal production at prices several times higher than the retail prices of these articles in socialized trade and much higher than the prices used in socialized procurement.

The drop in procurement of farm animal products affected milk to a lesser degree. Milk procurement during all of 1981 amounted close to 9.3 million liters, i.e., 7.6 percent lower than in 1980. But an improvement in procurement was observed during the year. In the fourth quarter it was 4 percent higher than during the same period in 1980. However, in the final months of last year, egg procurement declined somewhat. On a yearly scale, egg procurement remained at the 1980 level.

The procurement of crop production from last year's harvests was also proceeding poorly. Although crops were relatively good, the procurement of consumer grain to the end of last December amounted to 1.7 million tons (of which 0.7 million tons came from the socialized farming), compared to over 2.0 million tons the year before. At the same time, an exceptionally large increase in free-market prices of grain could be observed, particularly at the end of the year, despite the reserves of grain which were accumulated on the peasant farms as a result of relatively good harvests.

However, due to larger harvests, procurement of potatoes increased (to over 3.2 million tons) and sugar beets (15.8 million tons). In view of the especially poor harvests of these crops in 1980, this represents a rather large improvement.

In evaluating agriculture over the past year, we must also take into account the increased problems in supplying it with means of production. For the 1981 crops, agriculture used 3.5 million tons of artificial fertilizers (in pure ingredient), i.e., 3.7 percent less than for 1980 crops. The consumption of these fertilizers in the 1980/1981 marketing year, amounted to 186.2 kilograms per 1 hectare of cropland, i.e., 6.7 percent less than in the previous marketing year. This was due to a drop in the consumption of these fertilizers in socialized farming from 313.7 kilograms per hectare in 1979/1980 to 279.5 kilograms per hectare in 1980/1981; while consumption in nonsocialized farming increased from 152.4 kilograms per hectare to 155.8 kilograms per hectare.

During the entire past year, there was a serious shortage of many stocks and parts for tractors and farm machines.

But at the end of the year, some signs of improvement in deliveries of certain means of production for agriculture were seen. In comparison with 1980, the number of tractors delivered did not fall. In all of agriculture by the end of 1981, 645,000 tractors were delivered, which was an increase of 4.1 percent. One of the central problems of strategy on the threshold of the year 1982 is that of safeguarding deliveries from industry for agriculture.

In evaluating the economic situation we cannot ignore the nonmaterials sectors. Despite the critical situation, last year the not-insignificant sum of 245.3 billion zlotys was allocated for social and cultural services, which represented a 29.3 percent increase in expenditures. Expenditures for health protection and social welfare rose the highest (122.2 billion zlotys was spent, an increase of 31.2 percent) and for education and upbringing (103.6 billion zlotys, an increase of 29.5 percent).

The number of employed physicians at the end of December totaled 65,000 (a 1.4 percent increase), and there were 203,400 hospital beds (an increase of 1.2 percent). The infant death indicator declined almost 3 percent (from 21.3 to 20.7 per 1,000 live births). However, this sector was also affected by general supply difficulties. There was a shortage of many medicines and sanitary goods.

Table 2.

Item	January-December 1981			December 1981		
	In	All	All	In		
	Absolute Numbers	1979 = 100	1980 = 100	Absolute Numbers	12-79 = 100	12-80 = 100
Sold production in socialized industry (1981 prices in billion zlotys)	2,959.0	85.9	87.4	233.5	68.5	74.6
Hard coal output (in thousand tons)	163,022	81.1	84.4	13,187	85.2	98.6
Electrical energy production (in million kWh)	115,228	98.1	94.5	10,842	96.9	97.1
Population's money receipts (in billion zlotys)	2,080.5	139.3	126.6	200.4	146.6	121.2
Population's money expenditures (in billion zlotys)	1,803.2	126.8	116.1	177.1	126.1	116.5
Average employment in socialized economy (in thousand persons)	12,037.3	100.4	100.3	12,038.0	99.3	99.3
Procurement of livestock for slaughter (in terms of meat in thousand tons)	1,896.1	71.5	77.7	143.3	64.5	61.7
Deliveries of goods to supply the market (current prices in billion zlotys)	1,459.5	109.9	104.1	126.8	96.3	97.8
Foreign trade turnovers (in million foreign-exchange zlotys)						
Export	44,312	88.3	85.4	4,729	73.5	83.8
Import	51,191	94.2	87.8	5,800	62.1	68.0

Note: Preliminary data, subject to change

The social and economic situation last year was increasingly subjected to the adverse influence of changes taking place in foreign trade and payment relations with other countries.

Exports to capitalist countries last year amounted to 18.2 billion foreign-exchange zlotys and fell 20.3 percent. Because instalments and interest on loans had to be repaid—despite the fact that a large portion of them were postponed—not much revenue remained to pay for imports. Imports from this area last year amounted to 18 billion foreign-exchange zlotys, a drop of 30.4 percent. Imports from the second payments area [capitalist countries] were especially sharply reduced at the end of last year. In the fourth quarter, imports from this area amounted to 4.9 billion foreign-exchange zlotys compared to 8 billion foreign-exchange zlotys in the fourth quarter of 1980 and 9.4 billion foreign-exchange zlotys in 1979.

Despite the large reduction in imports, in order to finance them it was necessary under these circumstances (due to the necessity to repay a portion of the instalments and interest) to borrow more money. As a result, the government debt in capitalist currencies rose still further by a sum on the order of 12-13 billion foreign-exchange zlotys, to a level, as preliminarily estimated in the Main Statistical Office's report, to 23.5 billion dollars.

Exports to socialist countries amounted to 26.1 billion zlotys in 1981, which represented a drop of 10.2 percent. In fixed prices, this drop was even greater, for it amounted to 17.1 percent in relation to 1980 and 26 percent in relation to 1979.

In current prices imports from socialist countries last year reached a level of 33.2 billion foreign-exchange zlotys, i.e., they increased 2.3 percent. Imports from socialist countries in fixed prices decreased 8.8 percent in comparison with 1980 and 3.8 percent in comparison with 1979. Exports to socialist countries, therefore, dropped much more than imports from these countries.

As a result, an unfavorable trade balance occurred last year in turnovers with these countries, amounting to 6.4 billion foreign-exchange zlotys. In 1980, too, there was an unfavorable balance of trade with these countries, in the sum of 3.3 billion foreign-exchange zlotys. The unfavorable trade balance with socialist countries is due almost entirely (both in 1981 and in 1980) to the excess of imports from the Soviet Union over exports to that country.

The unfavorable influence of foreign trade on last year's economic situation was attributed primarily to the reduction in imports of producer goods from capitalist countries. The value of these imports declined from 22.8 billion foreign-exchange zlotys in 1980 to 16.1 billion foreign-exchange zlotys, thus about 30 percent in current prices and close to 40 percent in fixed prices. In the fourth quarter these proportions became even larger.

All of the problems discussed above were reflected in the constant deterioration of the market and money situation last year.

Sales of retail goods by units of the socialized economy amounted to 1.46 trillion zlotys, including 1.42 trillion zlotys for the population, which represented an increase of over 17 percent compared to last year. But in comparative prices, it is estimated, sales declined 6-7 percent. Deliveries to trade dropped even more sharply--11 percent. This meant that trade was depleted of reserves. At the end of the year, the value of reserve goods in market trade still in the retail network and in the wholesale warehouses amounted to 184 billion zlotys, calculated in current retail prices. In comparison with the end of 1980, a drop in value of reserves amounting to 78 billion zlotys had occurred, i.e., 30 percent. The value of nonfood reserve goods amounted to 144 billion zlotys, a decline of 84 billion zlotys.

However, the population's money receipts last year grew very rapidly. Over the entire year they totaled 2.1 trillion zlotys, which represented a 26.6 percent increase over 1980 and a 39.3 percent increase over 1979.

The wage fund made up the largest share in these receipts. It reached a level of 1.2 trillion zlotys, 26.7 percent higher than in 1981 and 41 percent higher compared to 1979. Social pressures, including strikes, forced concessions to be made in the area of wage increases, although these were not warranted either by economic conditions or by production. We have already written about the general character of wage increases encompassing all sectors of the materials sphere as well as the nonmaterials sphere in the article, "1981 Wages and Social Services" (ZYCIE GOSPODARCZE, No 1, 1982).

Second, from the standpoint of the size of the item in the population's money receipts (370 billion zlotys), were receipts from sales of agricultural products to socialized procurement. Despite the drop in procurement, these receipts grew almost 40 percent compared to last year. The farm population's money receipts from the sales of its production are, of course, much larger (and also growing much more rapidly), if we take into account receipts from free-market sales, and also black-market sales. If we take this trade into account, we must, of course, also calculate the farm population's expenditures higher, since it is forced to purchase some nonfood articles at prices many times higher than those in effect in socialized trade.

The so-called discretionary fund (total population money receipts reduced by taxes, payments and loans repaid) amounted to almost 1.96 trillion zlotys last year (an increase of 27.3 percent in relation to 1980 and over 40 percent compared with 1979). The growth rate of this fund, therefore, was much greater than the growth of the population's money expenditures, which had to mean a further important accumulation of money reserves by the population.

The population's money reserves at the end of last year totaled 1,050 billion zlotys, of which 679 billion zlotys was in savings deposits and 371 billion zlotys was in cash. At the end of 1980, these reserves amounted to 766 billion zlotys, including 500 billion zlotys in deposits and 266 billion zlotys in cash. The result is that reserves grew last year by over 37 percent, including a 35.7 percent increase in deposits and over 39.6 percent in cash. In comparison with the end of 1979, the total amount of money reserves grew 55 percent, deposits, 45 percent, and cash funds, 76 percent.

For one zloty of population's money reserves, there were, at the end of 1981, reserves of goods in trade valued at 17.6 groszy, as against 34.2 groszy at the end of 1980, 40.5 groszy at the end of 1979, and 44.6 groszy at the end of 1978 [100 groszy equals 1 zloty].

In making an attempt at a summation it must be said, unfortunately, that despite the exceptionally deep economic crisis last year, the tendency for the economic situation to deteriorate further may remain. In this light, the concentration of efforts last year on these fields: coal mining, supplies for agriculture and the food economy, and health protection, was an absolutely proper choice. Because of this we may avoid some of the most severe difficulties and dangers. We must continue to rally all possible reserves to rescue these most important elements in order to survive the crisis.

One of the factors in the further deterioration of the economic situation in the coming months may especially be the further breakdown of imports from capitalist countries. The restrictions announced by NATO, and particularly by the United States, point to this. Last year we began the process of linking our economy more closely to the socialist countries. However, this will require structural changes, which will take quite a long time. At present, industry is not adequately prepared to rapidly restructure its production. The interminable struggles and negotiations caused by social tensions last year were not conducive to progress in this restructurization.

The herald of hope is the improved output of hard coal. If this tendency continues, it may turn out to be one of the important paths leading out of the crisis. Thus, coal mining continues to require particularly careful attention.

A herald of hope could also be the relatively good crops of grain, potatoes, sugar beets and vegetables last year. It could be, if procurement increases, and these crops are used harmoniously to supply the city population with bread and other articles that are processed from these agricultural raw materials, and animal production is expanded accordingly. The problem of subordinating the work of industry and other sectors of the economy to the needs of agriculture continues to be a current one.

We enter 1982 undertaking extremely difficult and complex price operations. The entire economy not only faces an accumulation of restructuralization problems, conforming to the reduced supply capabilities, but it must also adapt itself to new functioning conditions arising from the application of economic reform. This is an extremely difficult test for the economy and society, but at the same time, it is also a herald of hope. Although these reforms were prepared with unusual haste last year, there is no return from them now.

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CSO: 2600/321

ECONOMIC COMMITTEE MODIFIES PRICE, COMPENSATION REFORMS

New Proposals on Compensation

Warsaw ZYCIE GOSPODARCZE in Polish No 1, 24 Jan 82 pp 6, 7

[Text] The Council of Ministers Economic Committee is introducing a revised draft of the system of monetary compensation to moderate the effects of retail price increases for food, heating fuel and power. With regard to the proposals contained in the State Price Commission [PKC] brochure from December 1981, the following changes will be made:

First, the rate of increase in charges for electrical power, gas, central heating and hot water will be reduced;

Second, the compensation system will be radically simplified and it will be based on the principle of the total offsetting of the basic price increase of food articles purchased with ration-cards;

Third, the proposed compensation for certain socioprofessional groups will be increased.

Discussion of the PKC brochure has shown that the necessity of increasing food prices is not generally questioned. While the enormity of the increases has shocked many people, the awareness of the harm done by the tremendous disparity between procurement prices and retail prices is becoming more and more widespread. The rate of increase for electrical power, gas, central heating and hot water has evoked the greatest alarm as well as much criticism.

The issue was also raised that compensation for increased charges for central heating and hot water, which must be allocated per person due to practical considerations instead of per dwelling, in many cases will be significantly lower than the increase in expenses.

The proposals concerning the compensation system have likewise been criticized, primarily with regard to the amount of compensation, the method of distribution among particular socioprofessional groups and the excessively complicated system of calculation. Moreover, the fear is becoming universal that an increase in the price of manufactured goods and food articles with seasonal prices will sharply reduce the living standard.

In conjunction with this, the proposals will change only the prices of basic food articles, power and heating fuel as established by the state. On the other hand, the position of the Council of Ministers Economic Committee on the issue of the prices of other articles is the following:

First, an essential condition for a healthy economic system is price flexibility, or price movement upward and downward according to changing production conditions and the monetary-market situation;

Second, the government is preparing a system of temporarily offsetting the consequences of the increase in prices and living costs, primarily for lowest income families, pensioners and annuitants. This system will be separate from the proposed system of compensation. The first operation of this type would be carried out after midyear 1982;

Third, control over price trending will be stepped up and sanctions will be applied against producers or against trade for attempting to increase prices unjustifiably;

Fourth, the problem of compensation for private farmers due to an increase in the prices of the means of production will be solved separately. This compensation will assume the form of a suitable increase in the procurement price.

The Council of Ministers Economic Committee is submitting the present draft to the scrutiny of public opinion. This draft, following social consultation and public discussion over it, will then be presented to the Council of Ministers for a final decision with the proposal that beginning 1 July 1982 the increases in the retail prices of basic food articles, heating fuel and power, together with the system of compensation, be put into force.

A Modification of the Assumptions on an Increase in Retail Prices Proposed by the PKC

The Council of Ministers Economic Committee, taking into consideration results of the discussion over the PKC brochure, believes it expedient:

1) To cut the charges outlined in the proposals contained in the brochures for:

--electrical power from 2.2 to 1.8 zlotys per kilowatt-hour;

--natural gas from 4.0 to 2.7 zlotys per cubic meter;

--central heating from 8.0 to 5.5 zlotys per square meter of usable floor area;

--hot water from 3.0 to 2.0 zlotys per square meter of usable floor area.

2) To establish a second (nightly) rate for electrical power for users living in residences heated by electricity at 0.80 zlotys per kilowatt-hour (the price proposed by the PKC was 2.2 zlotys per kilowatt-hour). These prices have been set below cost and thus represent a departure from the general principle of setting prices, in order to preserve the living standard of the population. They

would be compulsory for at least 1 year, after which, to the extent that the economic situation has improved and personal income has increased, they would be raised to a level guaranteeing production profitability.

3) To apply new, increased charges for electrical power and natural gas immediately following the first meter readings after the new prices have been put into force.

4) To ensure the possibility of purchase by the urban populace of the fuel coal allotment not yet purchased for the 1981-1982 season, at former prices.

5) To increase the compensation for pensioners and annuitants living alone on monthly incomes of up to 4,500 zlotys by 200 zlotys. These people would be especially hard hit by a price increase for heating, hot water, electrical power and natural gas. This allowance would be paid throughout the year, not only during the heating season.

Compensation for Workers

1) In conjunction with the critical remarks about the compensation variants heretofore published, the Council of Ministers Economic Committee proposes that compensation be ensured for all employees of socialized plants. Such compensation would be made up of two parts to be differentiated according to the amount of ration-card allocations and the amount of earnings.

2) Every authorized employee would receive the first part of the compensation, regardless of the amount of earnings. This would completely offset the price increase of those food articles being rationed, according to the allotment to which the employee is entitled during the most favorable period. The "ration-card" compensation would amount to 750 zlotys per month for workers in general. Workers receiving higher rationing allotments due to noxious or difficult working conditions would receive 900 zlotys per month; miners working underground would receive 1,400 zlotys per month.

3) The second part of the compensation would offset increases in the prices of power, fuel and those basic consumer articles whose prices are established by the state but are not covered by rationing. The amount of this compensation would be differentiated according to the amount of earnings. It is proposed that the following scale be used:

for earnings up to 4,500 zlotys—700 zlotys per month;
for earnings from 4,501 to 6,000 zlotys—600 zlotys per month;
for earnings from 6,001 to 9,000 zlotys—500 zlotys per month;
for earnings from 9,001 to 13,000 zlotys—300 zlotys per month.

This part of the compensation would not apply to employees making more than 13,000 zlotys per month.

Thus, the amount of combined compensation would be represented in the following way:

Combined Compensation for Earnings

	<u>Up to 4,500</u>	<u>From 4,501 to 6,000</u>	<u>From 6,001 to 9,000</u>	<u>From 9,001 to 13,000</u>	<u>Over 13,000</u>
For workers in general	1,450	1,350	1,250	1,050	750
For workers entitled to higher rationing allotments	1,600	1,500	1,400	1,200	900
For miners working underground	practically speak- ing, does not occur		1,900	1,700	1,400

Compensation due to price increases for bread and grain products would continue to be paid according to former rates. This principle would apply not only to working people but to all those currently receiving this form of compensation.

The Council of Ministers Economic Committee proposes that the amount of earnings determining the level of compensation be established on the basis of the average wage from the fourth quarter of 1981. This would not include additional pay for overtime work, pay for work on free days (e.g., mining work on free Saturdays) and allowances for period of service. The same amount of compensation would be paid to an employee regardless of any change in his earnings at the same plant. A change in the amount of compensation can occur through the subsequent adjustment (increase) in wages in the given sector.

4) It is likewise proposed that employees entitled to monetary equivalents for services in kind (partial payment in kind) are to be paid these equivalents at new prices (e.g., the value of a partial payment in kind for 3 tons of coal would increase from 1,650 to 6,000 zlotys).

Compensation for Pensioners and Annuitants

1) The Council of Ministers Economic Committee proposes that compensation be guaranteed for all pensioners and annuitants without exception and likewise for those persons who receive benefits in exchange for turning over a farm to a successor or to the state. It is proposed that this likewise apply to persons drawing benefits from the social assistance fund.

2) The amount of compensation should be established according to principles similar to those proposed for workers in general. Hence, the compensation would likewise be made up of two parts; i.e., "ration-card" compensation for an amount of 750 zlotys per recipient and an amount contingent upon the amount of benefits received.

Thus, those receiving benefits of:

- up to 4,500 would receive combined compensation of 1,450 zlotys;
- 4,501 to 6,000 zlotys would receive combined compensation of 1,350 zlotys;
- 6,001 to 9,000 zlotys would receive combined compensation of 1,250 zlotys;
- 9,001 to 13,000 zlotys would receive combined compensation of 1,050 zlotys;
- more than 13,000 zlotys would receive combined compensation of 750 zlotys.

3) Pensioners and annuitants living alone and drawing benefits not exceeding 4,500 zlotys would be paid an additional 200 zlotys per month year-round because they must bear increased heating fuel and electrical power costs alone.

4) The basis for calculating the compensation would be the amount of pension or annuity paid in December 1981; for persons entitled to more than one benefit (e.g., pensioners who likewise are entitled to a disabled veteran's or disability annuity), the combined amount of benefits paid. This amount does not include family allowances, allowances for the disabled in group 1 and allowances for persons over 80 years of age.

5) In a situation in which more than one person has the right to a pension or annuity (e.g., a family annuity paid to a widow and her children or a farm pension-annuity paid to both spouses), compensation will be paid to each person.

6) Given the particularly difficult situation of the disabled in group 1 and of pensioners and annuitants who are over 80 years of age, it is proposed that, independent of their compensation, the "nursing care" allowances to which they are entitled be increased (from 500 or 800 zlotys per month) to 1,000 zlotys per month.

Compensation for Members of Families Supported by Workers, Pensioners and Annuitants

1) The Council of Ministers Economic Committee proposes that compensation be guaranteed to members of families supported by workers (including those employed in nonsocialized plants), pensioners and annuitants.

2) It is proposed that compensation be paid in the uniform amount of 1,000 zlotys per person supported, regardless of the amount of family income.

The proposed uniform amount of compensation for all supported family members (children, wife) takes into account social considerations above all. In families with many children, even if the employed person's earnings are high, income per family member is low. Hence, it is a question of protecting the living standard of the young generation.

Compensation for Certain Others

It is proposed that compensation due to the increase in prices of basic food articles, heating fuel and power likewise be guaranteed to certain other groups of persons, such as:

--mothers taking an upbringing leave to care for a young child, regardless of whether they receive an upbringing benefit;

--students on a stipend and doctoral candidates;

--persons doing handicraft contract work on behalf of units of the socialized economy, "Ruch" kiosk workers and the like;

--persons drawing benefits from the alimony fund;

--authors and artists who are not otherwise employed; due to the specific nature of such professions and the income differentiation of these groups, the scope, forms and amount of compensation will be regulated separately.

Concluding Remarks

The Council of Ministers Economic Committee is aware that the compensation system does not solve all individual problems and that there will be groups of families for whom the consequences of price increases will be severe in spite of compensation. However, general principles encompassing the entire society cannot avoid such individual situations. For this reason, it is also proposed that the possibility be created for further moderating the consequences of increases by the use of enterprise funds and funds issuing from local authorities, above all through:

--the financing of increased charges for heating and hot water from the plant housing fund, for individually justifiable cases;

--an increase in funds for social assistance;

--an increase in plant subsidies for cafeteria meals and the introduction of subsidies in student cafeterias;

--a 6-month extension of the period during which an upbringing benefit is paid to new mothers; counting from the end of the maternity leave, this would amount to 24 months.

This draft, stating the position of the Council of Ministers Economic Committee, is herein submitted for further discussion. While we all know that, like every price increase proposal, it cannot evoke satisfaction, we do hope that it finds social understanding.

Signed

The Council of Ministers Economic Committee
Warsaw, 18 January 1982

ABC of Price Reform

Warsaw ZYCIE GOSPODARCZE in Polish No 1, 24 Jan 82 p 6

[Article by "n"]

[Text] Consumers are afraid that price reform and economic reform will mean a skyrocketing increase in prices, which producers and suppliers will be able to set freely and uncontrollably.

According to the "Principles for the Operation of State Enterprises in 1982," however, which was published on the basis of a Council of Ministers Resolution dated 30 November 1981, the picture is not as black as it seems. The "Principles"

provide for the application of four basic types of prices: official, regulated, agreed and free. The setting of regulated prices, and especially of official prices, is not subject to any whims of particular producers.

Official prices will be set by the Council of Ministers or the State Price Commission [PKC] according to guidelines provided by the Council of Ministers. They affect four groups of products and services:

1. Means of consumption and services of basic significance to living costs or the protection of people's health. They include the following: bread, flour and groats; pork, beef and veal, as well as products made from these meats, and chicken; lard and bacon; milk for consumption, butter and vegetable oils; sugar; coal, coke, hot water and heating power for heating residences; piped gas, bottled gas and electrical power for household use; human transport via urban mass transportation; domestic human transport via railroads and automobile transportation; pharmaceuticals and intoxicants as well as sanitary articles; socialized services of social assistance institutions, homes for young children, preschools and nurseries; textbooks, notebooks and basic school instruments.

2. The means of production and services of basic significance to production costs, including finished products making their way into the market. These are: hard coal, brown coal and coke; crude oil and heating oil; piped and bottled gas; electrical power; metal ore and scrap metal; iron and steel metallurgical products; nonferrous metallurgical products; lumber and timber; cement; cellulose; cotton and wool; chemical fibers; dried skins, rubber; apatites and phosphorites; sulfur and sulfuric acid; fertilizers and fertilizer lime; grain, manufactured fodder and fodder additives; domestic goods carriers via rail transport, automobile transport and water transport.

3. Basic agricultural products purchased by units of the socialized economy--grain, live cattle for slaughter, slaughter hogs, chicken, milk, sugar beets, cole and tobacco.

4. Official prices will be likewise set for alcoholic beverages, tobacco products, salt, ethyl gasoline and motor oil, gold and precious metals, as well as postal-telecommunications services.

The fact that official prices will be set for these products and services means that they will have a uniform price regardless of various producers' production costs. Official prices are maximum prices, unless a regulation or a price-fixing decision determines otherwise.

The prices of consumer goods or services produced domestically with basic significance for living costs or the costs of health protection for people (group 1) are set on the basis of the average costs incurred in the production and sale of these goods and services taking into account:

--indispensable profit to ensure the self-financing of the enterprise producing and selling these goods and services;

--turnover tax according to the compulsory rate;

--the market situation in the area of supply and demand.

Although such pricing will aim toward enabling the retail price to cover costs and to make at least minimal profit, this does not mean that in warranted cases the official price cannot be lower than these costs. Many goods and products will simply continue to be subsidized.

Let us take milk as an example. At present the compulsory procurement price is from 14 to 17 zlotys per liter, while the retail price proposed by the PKC is 10 zlotys. If we were to take into account all costs, a profitable price for milk would be 18 zlotys per liter. It is the same with butter--the PKC proposes 60 zlotys as the price of a quarter-kilogram stick of table butter, while a profitable price would be 86 zlotys. Of course, the scale of the subsidy will be greatly reduced.

The prices of imported consumer goods of basic significance for living or costs for the health protection of people are set in a ratio corresponding to compulsory prices for similar domestically produced goods.

The prices of means of production and services of basic significance for production costs (group 2), especially the prices of raw and other materials, are set on the basis of prices ruling in free foreign-exchange turnover in foreign trade. In the event that the deviation between the official price and the average price ruling in free foreign-exchange turnover in foreign trade exceeds 10 percent, the official price should be changed accordingly.

The setting of official prices for basic means of production is only ostensibly unlinked with the retail prices of market products. Let us consider that the production costs of hogs and greenhouse vegetables depend to some degree on the price of coal. The schedule of rail fares reflects the costs of the transport of practically all goods. The prices of apatites and phosphorites reflect the prices of fertilizers and, consequently, the prices of grain and bread and so forth. In this regard, the system actually is of basic significance to market prices confronting purchasers.

Regulated prices are established by enterprises (producers or suppliers) on the basis of the costs incurred in the production and sale of goods and the charge for services to which is added a profit surcharge according to principles specified by the PKC.

Regulated prices are set for:

--goods and services, the production of or charge for which is subsidized by the state;

--materials, if they are supplied on the basis of distribution lists or through a conventional middleman and for which official prices have not been set;

--imported means of production if they are imported within the framework of foreign-exchange funds appropriated for this purpose and if they are not covered in the schedule of official prices;

--the basic means of production for agriculture (farm machinery and equipment, farm tractor and pesticides);

--other means of consumption of a standard nature (other than those for which official prices will apply); namely, "Bobo-Vita" canned foods and baby foods, salt-water fish and fish products; cotton and cotton-blend linen fabrics--and thus, shirt fabrics (with the exception of 100 percent cotton), toweling and diaper fabrics; diapers; standard garments, clothing, personal linen for children and youths to 15 years of age; hosiery products; rubber footwear and vulcanized cloth-rubber footwear; standard footwear for children and youths up to 15 years of age; baby care items (oils, powder, talc, bottles); laundry detergents and scouring agents.

The introduction of official prices and regulated prices set by the government and the PKC is designed to stop uncontrolled price trends. But does this completely safeguard against the conceivable dishonesty of producers and suppliers? It is impossible to exclude this, especially in setting prices. This is why the "Principles for the Operation of State Enterprises in 1982" introduce the obligation of price control. Agencies of state and social inspection will check prices. Here is the resolution:

"In the event of the ascertainment by the inspection agencies of the application of official and regulated prices of the violation of the regulations of the resolution, the enterprise violating these regulations is obliged to return the undue profit to the consumer and additionally to pay an amount equivalent to the undue profit into the state budget. In the event that the consumer is unknown, the amount subject to payment into the state budget is equal to two times the amount of the undue profit."

In short, if a producer swindles consumers of 10 million zlotys, for example, he must return this amount and, moreover, he is penalized 10 million zlotys. Previously this penalty was 50 percent of the undue profit--now it is twofold higher.

We will cover the subject of agreed and free prices more extensively in the near future. However, let us mention that agreed prices are set in turnover between economic units for goods and services not covered by regulations on official and regulated prices. Agreed prices are set by the supplier and the consignee and the agreed level of prices must be confirmed in writing by both parties. Prices in retail turnover not covered by regulations on official and regulated prices are set by the dealer as free prices.

It is also important to consumers what proportion of articles on the market will be in the particular price categories. In market turnover, according to PKC estimates, products at official prices will represent approximately 35 percent, while products at regulated prices will represent 15 percent. Thus, 50 percent of all products are in the other categories.

Price trends on the market will be subject to continual observation and analysis. The "Principles" stipulate that "in the event of the excessive increase in prices,

the Council of Ministers can freeze all prices temporarily or prices in specific groups of goods and services."

Allowing free prices does not at all mean that they will be "ceiling," voluntary prices. The resolution on prices stipulates that the central pricing organ will be authorized to change the price category for a given product. Thus, it will be able to introduce a regulated price in place of a free price.

Price Plan Difficult But Necessary

Warsaw ZYCIE WARSZAWY in Polish 19 Jan 82 p 3

[Article by Stanislaw Markowski]

[Text] Our society's attitude and the attitude of the authorities at different times to changing retail prices are like the man who, knowing that a visit to the dentist is unavoidable, tries to put off the experience as long as possible. Experience teaches us that this type of attitude leads ultimately to a situation in which, instead of relatively mild treatment, brutal and painful methods of treatment become necessary.

Retail price issues, which are the subject of universal discussion, feverish calculation and questions full of anxiety, have reached such a point. How will my family budget shape up under the new conditions? Questions are also being raised whether price changes are really necessary now, whether the new price proposals are not excessive and whether compensation concepts are just. Against this background, various statements contained in the State Price Commission [PEK] brochure are being questioned; personal suggestions concerning them have been made. Some of the doubts voiced result from a lack of understanding and the improper reading of the complex questions contained in the brochure, but some are well-aimed doubts, if not from an economic viewpoint, then from the social point of view.

Therefore it is especially important that we make use of the time separating us from the implementation of a final decision to clear up misunderstandings and to take into consideration the most pertinent of the remarks and recommendations proffered by public opinion in future endeavors.

In an examination of the complex question of retail prices, the point of departure must be the causes requiring an increase. There are many such causes. They may be divided into two basic groups. The first general reason is the need to create conditions facilitating the balancing of popular demand with the supply of goods and services. The second is the urgent necessity of basing production activity and consumer decisions on real cost effectiveness.

The first group of cases is linked with the fact that the supply of goods does not meet the demand and the purchasing power of society. Current production is running at barely 1972-1973 levels. This, given the increased population and a tremendous increase in the amount of money in circulation, creates severe difficulties on the market that are suffered universally. The shortage of food, especially meat, the consumption of which has long exceeded the potential of

domestic agriculture, is particularly vexing. The level of meat consumption attained in recent years has been based to a considerable degree on the substantial, growing import of fodder.

Since Poland's import possibilities will be very limited for the near future, meat deliveries on the domestic market cannot increase radically. The economic restrictions recently introduced by the United States government are an added factor. According to published figures, these restrictions will, above all, considerably reduce the amount of poultry (which are fed fodder imported from the United States) and eggs consumed by the average Pole--the consumption of which compensated for the shortage of other meat varieties.

The incompletely conceived WOG [expansion unknown] system, the ill-considered investment and payments policy that since 1974 has been outright irresponsible, and the likewise irresponsible forcing of a rapid increase in wages and social benefits occurring in the last 2 years, along with a simultaneous decline in production and labor productivity, have led to the avalanche growth of inflationary phenomena.

Every day the amount of money without backing increases by 1 billion zlotys; the purchase of most unregulated goods is plagued with nightmarish anxiety or is totally impossible.

While we will not enter into a broader discussion of this subject, it should be stated that when supply does not equal demand, sooner or later price increases occur. The state can limit and delay this phenomenon but no one has yet succeeded in completely averting the operation of this basic law of economics. That is why prices on the free market for many items, particularly meat products, are fivefold to eightfold higher than official prices and there are always enough people ready to pay such high prices.

Consequently, in order to strengthen the zloty and balance the market situation to enable the purchase of a needed item at any time for ready cash, prices must be raised to a level making them "equilibrium prices."

A second basic group of causes for price changes is the burning need to base the totality of our national economic life, both with regard to production and consumption, on rational cost effectiveness. This necessitates basing prices on an accurate calculation of costs. Nor is the implementation of economic reform, and particularly of the independence and self-financing of enterprises, possible without the application of the proper standards for evaluating activity, including correct prices.

The introduction of new producer prices on 1 January 1982, based on ratios in foreign trade, was a basic step in this direction. In their structure and level, these prices differ completely from those that have been compulsory domestically for over 30 years. They are characterized by a particularly high increase in the prices of conveyors for power and raw materials. In this way we have finally overcome our cult of the means of production, dragging on since the 1940's and 1950's, that ordered that their prices be held at irrationally low levels, with the simultaneous collection of excess accumulation from consumer articles.

The financial-economic mechanism implemented since January ensures enterprises a great deal of freedom in establishing prices. It is estimated that nearly half of the goods on the market will be fixed voluntarily by producers and the trade apparatus. As a consequence of these authorizations, enterprises may set excessively high prices, to the consumer's great detriment. When one looks at the prices of goods appearing in stores, these fears are confirmed.

To return to the discussion of economic reform that has been ongoing in Poland for more than a year, one must assert with regret that practically every speaker has devoted many remarks to tracking down real and alleged enemies of reform and considerably fewer remarks to the negative, secondary symptoms associated with reform.

This is why there is always the open question, How are we effectively to conquer excessive pricing appetites without ruining reform and encroaching upon the independence of enterprises?

It would also be worthwhile for factory work forces, who complain so vociferously about price increases, to devote some of their energies to researching whether by chance the prices of their own products are not excessively high.

Finally, another cause of price changes is the much touted nonsense of the price system for food articles. The prevailing system is one of "lunar economics," in which retail prices are considerably lower than procurement prices, so that the official price of meat is equal to 1 or 2 packs of cigarettes, and for 30 eggs sold on the free market one can buy a ton of coal.

One may say here that such phenomena have been occurring for 10 to 15 years, if with lesser intensity, and could we not carry on in this way just a little longer? Must we resolve the problem by raising prices and painfully lowering the living standard of our people?

These are good questions, to which we must answer that if it were possible for us to live so long with faulty prices it was because we obtained substantial foreign loans, that deficit food prices were balanced by the high accumulation gained on many manufactured goods and finally that more and more unbacked money has been issued in recent years.

All these possibilities are now closed to us and radical price moves are becoming inevitable. On the other hand, however, I do not agree with those who say that the only way out is through price increases. They are one of the basic conditions for overcoming the crisis but only in conjunction with an increase in production, a reduction in costs and improved management of raw materials and the work force.

Nor do I agree with the statements of those who treat unconcernedly the great losses that will be incurred as a consequence of the price changes by those who are actually earning more. Every decline in the living standard should disturb us, even though the concern over those who are economically the weakest is understandable.

Since the price increase is inevitable, further discussion should cover what can be done to lessen its severity as much as possible. This demands in particular that the critical observations concerning the compensation system and the excessive encumbrance of household budgets due to proposed price increases for electrical power, gas, central heating and hot water be taken into consideration.

8536

CSO: 2600/264

NEW ECONOMIC SYSTEM IN PRODUCER COOPERATIVES DISCUSSED

Warsaw RZECZPOSPOLITA in Polish 20 Jan 82 p4

[Interview with Lucjan Kowalski, vice chairman of the Central Board of the Union of Agricultural Producer Cooperatives (RSP), by Edmund Szot: "A Good System for the Good -- New Self-financing Principles in the RSP's")]

[Text] We talked with Lucjan Kowalski, vice chairman of the Central Board of the Union of Agricultural Producer Cooperatives about the operation of the agricultural producer cooperatives under the new economic conditions.

[Question] Please first of all give us a short description of the place of the cooperative sector in Polish agriculture.

[Answer] Agricultural producer cooperatives farm an area of 788,000 hectares of cropland, which represents 4.2 percent of all such land in Poland. On the other hand, they supply 10.6 percent of the country's procurement of grain, 9.5 percent of the livestock, 7.2 percent of the wool, and 35.6 percent of the poultry for slaughter.

[Question] Those are impressive results. Where then does the unfavorable opinion about the production cooperative system come from?

[Answer] Some of this goes back to earlier times. Besides that nobody up until now has explained to the society what the current RSP position is like or how cooperative members live. We have also suffered at the hands of some scientists who wrote about us exaggerating the dimensions of the state's aid to cooperatives.

[Question] Was not this aid indeed great?

[Answer] I do not deny that it was great, but it went to create resources accumulated as fixed assets. This was and is public property. Therefore state aid was used to create the workplace for cooperative members, and somehow nobody protests when the state creates a workplace for white-collar workers.

[Question] But there seems to be a difference between workers and members of cooperatives, who are rather peasants farming together.

[Answer] Theoretically that is so, but after all it was not the peasants in Poland who organized the agricultural producer cooperatives. Part of them would have preferred to forego their land and emigrate to work in the towns. Somebody had to work that land, and it was on just that land that the cooperatives were organized using people who often became farmers only in the cooperatives. We presently have 183,000 producer cooperative members in Poland. Besides this, the self-financing system in RSP was such that people felt more like workers than cooperative members.

[Question] That is just it, but the directive-distribution system ceased to be required in the cooperatives as of 1 January 1982. Now the cooperatives are to run under a new system.

[Answer] Not completely new. It is more like a return to the ways under which we operated the RSP's from 1956 to 1970. It was only afterward that there were the famous state subsidies which created an unfavorable climate for producer cooperatives.

[Question] What are the major components of the current self-financing system in the RSP's?

[Answer] Mainly independence in economic planning and the use of income. The economic plans are drafted by the cooperatives themselves, without any sort of directives from above. The limitations on the principles of income distribution have also been eliminated. Up until now, in order to raise the level of earnings of cooperative members it was necessary to seek the agreement of the voivodship RSP unions, and there were even trends toward introducing permanent guaranteed rates, as in the PGR's, so that the cooperative income was independent of whether anything grew in the field or not. Now the cooperative members have as much for distribution as they manage to obtain through their work. Interest in good work has immediately increased.

[Question] What will the other consequences of independence be like?

[Answer] Changes are being made in livestock production, and most of them will be adapted to the cooperatives' own fodder capabilities. In this production we are getting away from buying stock for raising from outside. We are going to try to create closed cycles. This means that we want to raise only those animals which are born in the cooperatives piggeries and barns.

[Question] Will the fodder self-sufficiency principle also apply to poultry production?

[Answer] For years broiler production has been based on buying fodder from outside. This year we will obtain far less fodder, which will present the production cooperatives with a tremendous problem, but this is a separate issue.

[Question] Then let us return to still other principles of the new self-financing system...

[Answer] The next novelty in the system is the cooperatives' creation of their own funds for investments, for repairs, for social and cultural purposes, for housing construction, and the like. The general meeting of the members will determine the size of the deductions to be made from the income of the cooperatives. The financing principles are also changing. Now the cooperatives will be interested in accumulating their own working capital for economic activity. Then they will not pay interest on credit, and if there is an excess of these funds the cooperative's interest-bearing account will increase. Another new feature is the fact that each cooperative must now put in a share of its own funds for investments. The new system also calls for the creation of the cooperative's own development fund. It will be created out of deductions from the income of the cooperative, out of the interest on funds deposited in the cooperative's account, out of property from other cooperatives, and so on. Cooperative members will also be interested in not taking all their income out of the cooperative but in leaving some of it in personal accounts, which will bear interest.

[Question] The new system therefore is based on the personal interest of cooperative members in the successful development of the cooperative.

[Answer] Yes, only that for such a system to "win" it must have a basic condition met: the procurement prices of farm products should insure that agriculture is profitable. We believe that the state will provide for just such prices.

[Question] Summing up, is the new system favorable to the RSP's, or not? After all, the state subsidies are coming to an end.

[Answer] Partial subsidies will remain: to obtain skilled people, for the construction of housing, but only for those skilled workers and for the production of mixtures, concentrated fodder. Nonetheless, the size of state aid will not be great. Of course there will be a group of the weaker cooperatives which are going to have trouble initially. This applies in particular to the young cooperatives which do not have a production base yet, and so do not have anything on which to earn. For those cooperatives Council of Ministers Resolution 208 provides for assistance in the form of cheap credit, but this is a marvelous system for the good producer cooperatives and the intermediate ones.

[Question] Are there a lot of those good and intermediate cooperatives?

[Answer] Ninety percent.

10790

CSO: 2600/332

AGRICULTURAL PROCUREMENT PRICES INCREASED

February Press Conference

Warsaw CHLOPSKA DROGA in Polish 10 Feb 82 p4

[Article: "Change in Prices on Crop Procurement, Farm Machinery and Services"]

[Text] On Thursday, 4 February, at a press conference at the Ministry of Agriculture and Food Economy, information was given on the details of the price reform for procurement of farm products and for the means of production for agriculture and services, the reform which went into effect as of 1 February of this year. The procurement prices for farm products rose on an average of 21 percent. Prices on farm machinery and implements increased by 130 percent on average, with prices for services going up about 300 percent. At the same time decisions were made concerning subsidies for certain means of production and services.

Here is the detailed list of new procurement prices. The prices on the four basic grains were raised from 950 zlotys per quintal to 1,200. For grain contracted for and supplied under the auspices of a grain loan, the farmer receives 10 percent more than this. In addition, another 10 percent is added to the basic price if the grain is delivered within a set time. Thus, the mean total procurement price for grain which any farmer can receive (if it is under contract or is supplied within the framework of a loan within a set time limit) amounts to 1,440 zlotys. Prices on rape are up: high-sugar rape to 3,300 zlotys and low-sugar rape from 2,500 to 3,960 zlotys per quintal. The price on sugar beets is up 23 percent to 320 zlotys per quintal. Tobacco's price is higher by from 16 to 42 percent, depending on the variety.

In livestock production there was a major increase in the procurement price for cattle (up 36.4 percent) and a lesser one for hogs (up 13.6 percent), because the procurement price on hogs was increased not so long ago. A kilogram of beef livestock for slaughter will cost about 90 zlotys (while the price on young cattle for slaughter weighing over 400 kilograms will bring about 110 zlotys), while a kilogram of hogs for slaughter will average

125 zlotys. The price of a liter of milk will go up to 16.50 zlotys, with the seasonal price difference's being maintained: 14.35 zlotys in the summer, 17.50 zlotys in the winter. The prices of eggs, sheep, and poultry (except for broilers, at 110 zlotys per kilogram) have been put into the free price group.

As we mentioned at the beginning, the prices on farm machinery and implements have increased by 130 percent on the average, but the ministry says that the new ratios between the prices of machinery and those of farm products will be more favorable than the pre-1980 ratios. The prices on some machinery will be subsidized by the state. The prices on farm services will increase by about 300 percent, but here decisions have been made to subsidize certain types of services for a total of 12 billion zlotys per year.

Commercially-produced fodder prices have risen in keeping with the higher procurement prices on grain and other components. Because of a 15-billion zloty subsidy, the smallest increases will be on basic fodder items for hogs (about 48-percent increase) and cattle (about 62-percent increase). Fodder for poultry will not be subsidized. These fodder prices will more than double.

If all the manufacturing costs of artificial fertilizers are taken into account, prices on them would have to increase by several times. For this reason the state will grant a subsidy of about 30 percent on fertilizers. Their exact prices will be publicized in the near future.

According to the Ministry of Agriculture, it is calculated that as the result of the price reform, farmers' production expenditures this year will increase from 160 billion zlotys to 333 billion. On the other hand, the value of marketable production of agriculture will increase from 449 billion zlotys to 632 billion. As the ministry's figures show, rural nominal income is to increase by about 20 billion zlotys. In billions this amount seems large, but the real value of rural income will decline by about 20 percent. As the result of procurement price increases it is true that this will be less than that with respect to other population groups, but an income decline will occur. Unfortunately, such are the costs of getting out of the crisis.

In closing it is worth emphasizing that in connection with numerous comments and warnings expressed by farmers concerning the higher prices for the services of agrarian circles, the secretariat of the Supreme Committee of the United Peasant Party has appointed a group to investigate the economic-production rationale of the level of prices for services on the price list of CZKIOR [Central Union of Agricultural Circles and Organizations].

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The new procurement prices will compensate for the farming cost increase which has come into being. The Ministry of Agriculture says this pricing

operation will prove favorable not only to agriculture but also to the industries which manufacture the means of production and the institutions providing services, because it will make them profitable. The ministry is counting on industry's increased interest in producing the means of production for agriculture and on greater interest on the part of the SKR's and other institutions (RSP [Agricultural Producer Cooperatives], PGR, and so on) in rendering services to private farmers.

This pricing operation, which is essential, because it represents an integral part of the economic reform being introduced, finally sets up some sort of honest relationship between wholesale prices on farm products and the prices of the means of production and services bought by farmers. This fact will lead to a reestablishment of the economic ties between town and country, so greatly disturbed in recent years, and sometimes broken altogether in some instances, because prices on farm products have been subject to rather frequent increases, while prices on machinery and services have remained unchanged for long periods of time. In extreme cases, such practice has led to fantastic relationships, when the selling prices on some machinery were lower than the costs of the raw materials from which the machinery was made.

At the Ministry of Agriculture it is estimated that the introduction of the new ratios will not undermine the economy of the farm, but when we compare the new ratios with those seen in the recent past, we can get the impression initially that they have undergone substantial change to the detriment of agriculture, but that is not the way it is, experts on this problem emphasize. They say that the ratios currently being introduced must be compared not to the fanciful ratios of yesterday which were among the factors leading to the disruption of the economic balance between the urban and rural areas but to the ratios in existence, for example, in 1978.

We can see the great significance of the current pricing operation to the improvement of the supply of machinery, implements, fertilizers, and pesticides to agriculture and the improvement of services, if only from the fact that the state has not placed on agriculture the full burden of the real costs being borne by industry, because the state is maintaining subsidies for industry, mainly the chemical industry. It will subsidize certain services of particular importance to agriculture. The price reform through which our country is living, beginning with prices on raw materials and passing through retail prices, and ending with the prices on the means of production and services, is an important element of the economic reform being conducted.

We will return to this subject several times. In the next issue we will publish an interview on this subject with Prof Zdzislaw Grochowski, deputy minister of Agriculture and Food Economy.

Deputy Minister Comments

Warsaw CHLOPSKA DROGA in Polish 14 Feb 82 pp 1,3

[Interview with Prof Zdzislaw Grochowski, deputy minister of Agriculture and Food Economy, by F. Piotrowski: "About the New Procurement Prices and Supply Prices in Agriculture"]

[Text] [Question] Everyone today is feeling the effects of the disruption of the economic link between the cities and the rural areas. What are the major causes behind this conflict?

[Answer] The basic cause was the disorganization of the market. I recall that last year the population's cash income increase by more than 30 percent, while production on a national scale declined drastically. One-third of the money in people's pockets had no goods to back it. People began to buy up all sorts of commodities regardless of whether or not they needed them. There was a flight from money. The rural areas were in a worse situation. They had more difficulty in spending the money. But when the farmer had nothing to spend his money on, he held up sales of those products which he could store. After all, this was not just grain. Here grains are the classical example. Grain has always been the currency of currencies.

[Question] The above statement implies that an adequate supply on the market of the means of production needed by agriculture would prevent the severing of the economic link. The farmer would have something to spend his money on and would work actively to increase marketable production...

[Answer] Undoubtedly. It is true that the amount of machinery directed to rural areas in 1981 was higher than the year before, but it was still negligible compared to the needs, especially for some items. There was simply less fertilizer, fodder, and pesticides. Given the shortage of the means of production, the rise in farm product procurement prices simply accelerated the disorganization of the market. During the past 2 years procurement prices more than doubled. On the other hand, the prices of most of the means of production for agriculture remained unchanged. Relatively speaking, if we take the year 1978 as 100, then the prices on the means of production last year had dropped to only 45. Hence, for the same amount of farm products, farmers could buy more means of production, but the thing is that they could not obtain as great a quantity as they needed. Hence, especially great emphasis was placed on their purchase.

[Question] Hence, the shortage of the means of production became still more obvious?

[Answer] It also came to light that often they were not properly distributed throughout agriculture, because it is true that despite appearances excessively cheap means of production are not beneficial to agriculture either. You can see this using the example of machinery and also services.

There was a demand for them not only on the part of farmers for whom certain machines are indispensable, but also on the part of those farmers who bought them just because they had money. Cases are known where tractors were bought by farmers owning 2-3 hectares of land. And I myself saw on one of the 3-hectare farms a rotational mowing machine which was used only 8 hours a year. On the other hand, farmers with farms of 20-30 hectares came to the Ministry of Agriculture, because they could not buy such machines. I think that making the means of production more expensive would bring about their more rational distribution on farms and therefore their more effective use.

[Question] What was decisive in the next successive rise in farm product prices?

[Answer] Prices on the means of production are on the increase. Therefore costs in agriculture are on the increase. Therefore, in keeping with the social agreement and political declarations, any sort of rise in costs is to be made up for in the procurement price, and the current rise in procurement prices fully compensates for the increase in agricultural production costs.

[Question] What is this compensation like in figures?

[Answer] As the result of the increase in procurement prices, the value of the means of production purchased by agriculture -- both that for ongoing production and fixed assets -- will increase:

from 160 billion zlotys to 333 billion, that is, by 173 billion zlotys. This is a somewhat larger figure than I gave on television, because certain corrections have been introduced. Resources for ongoing production are increasing by 115 billion zlotys (from 125 billion to 240 billion). Rural expenditures for machinery, building materials, and capital goods will increase by 58 billion zlotys.

On the other hand, the value of agriculture's marketable production, along with the free market, will increase by 193 billion zlotys. Thus, revenues will exceed expenditures by 20 billion zlotys. Expenditures should be treated together with investments, which, as I mentioned above, are increasing by 58 billion zlotys, but current expenditures plus depreciation are all that are included in production costs, and therefore the rise in procurement prices also covers depreciation.

[Question] Nevertheless, in contrast to the nonagricultural population, the agricultural population did not receive compensation for the rise in prices on food, coal, and so on. Why not?

[Answer] Last year the increase in the income of the agricultural population was twice that of the nonagricultural population. Net cash income (after subtracting all expenditures and benefits) increased by a whole 65

percent, but the income of the nonagricultural population increased by only 30 percent. Therefore, income parity last year clearly leaned toward the agricultural population. This is one of the reasons why this year the income of the agricultural population will feature a smaller index of growth.

Another reason is that the nonagricultural population is being compensated for an increase in food prices. On the other hand, the agricultural population receives such compensation partially in another form too, one which we usually do not talk about. How does it manifest itself? Well, in rural areas expenditures for food, generally speaking, amount to one-third as much as in urban areas, per capita. The other two-thirds are products from the farm itself. If we were to calculate the products which come from one's own farm at market prices, then we would have an increase in income not of the above-mentioned 20 billion zlotys but one amounting to 110-120 billion, because it is estimated that the value of the food items which the agricultural populations supplies for itself calculated in retail prices will increase by about 90 billion zlotys. I would also like to point out that during the past few years in our country we have had an unfavorable stock value. For example, stocks mainly of fodder have declined. On the other hand, last year there was a great increase in stocks, right up to 40 billion zlotys. Poland has not seen such an increase in stocks, and such an analysis has been going on for the past 20 years. There is a great surplus of both fodder and grain. Despite the fact that the flow of fodder from the state will be smaller, the reserves are nonetheless great. This means that the potential for increasing farm production is greater.

[Question] Then there are possibilities for a production increase above and beyond the indices included in the plan and therefore possibilities for an increase in income?

[Answer] The ministry has not presented this in the calculations, but in the case of favorable circumstances there is the possibility of exceeding the plan indices. In the future the increase in farmers' income must go hand in hand with a rise in production. If sometime there is a regulation of prices and they are increased, then this will merely be compensation for a rise in the prices of the means of production. For example, at present part of the means of production will be subsidized (to 53 billion zlotys): seed, livestock, veterinary services, insemination. Such subsidies have existed and will continue to exist, but there is presently a subsidy on the production of commercially-produced fodder, and prices on fodder have not currently been increased sufficiently for the fodder industry to be able to free itself of the subsidy. Such a situation cannot exist in the future. The whole economy simply must operate profitably, and there will be no supplementary payments for fodder. The same goes for chemical fertilizers, because the current state of affairs should be considered temporary. Food prices after all were set earlier. Their increase is great even so. If we were to use a system without any subsidies at all, it would be necessary to increase some retail prices by another 35-40 percent. Therefore, the handling of this matter was postponed.

[Question] So if the decision were made now to do away with the subsidies on fodder and fertilizers, then the procurement prices for farm products would have to be increased still further?

[Answer] Of course, and this would be by some 10 percent, in order to spread the approximately 50 billion zlotys of subsidies over the prices of procurement. And that is the way it will be in the future. Maybe even by next year.

[Question] The farmers can hold it against the Ministry of Agriculture that not everything is going to be handled the way they thought.

[Answer] During discussions on the problem of the price rises attempts were made to undermine the ministry's reasonable position by proving that the ministry somehow wanted to create better conditions for the agricultural population than for the nonagricultural population, but the ministry stayed with the position of such a solution of the problem that would take into account the interests of both urban and rural areas. In the discussions with the farmers we presented two variant pricing solutions. One excluded subsidies, and the other maintained subsidies for the prices on the means of production. Most of the farmers came out in favor of the nonsubsidy system. The farmers said: "Why should anyone say we are being subsidized? Let the means of production and services cost what they cost, but we should receive appropriate compensation." But then it would be necessary to keep providing large subsidies for food prices, and finally an intermediate solution was adopted, because the costs of getting out of the crisis should be spread fairly over the agricultural and nonagricultural population. Efforts were made to do this. But if this had not been true, then, statistically speaking, the real value of the income of the whole society would decline by more than 20 percent. Rural expenditures must increase on both food and on manufactured consumer goods.

[Question] Not all farmers bear the brunt of the reform equally.

[Answer] True. Those farms which are not investing or which have already invested, particularly during the past few years and need not invest this year nor during the next few years, will surely incur smaller losses. But in agriculture the situation already is such that the farmer who makes an investment usually does it to a certain extent at the cost of the consumption fund. Thus, the brunt of the reform will also weigh on the agricultural population. What distinguishes it from the nonagricultural population in this respect is the fact that those who earn the best outside of agriculture lose the most. On the other hand, in agriculture the person who provides greater production will be in a more favorable situation.

[Question] What about the proper price ratios? What about the hikes in procurement prices, inasmuch as the rural areas will continue to suffer from a shortage of the means of production?

[Answer] I think that now when the means of production are becoming relatively more expensive, the durable means of production will be bought mainly by those people who really need them. If you are talking about the long range, there are great hopes in the economic reform. Now, let us remember that a year ago there was an announcement that more than 100 plants were to take up sideline production on behalf of agriculture, but only a few more than 30 actually did so. It simply was not profitable for the plants. The subsidy system adopted later had not great impact on this. At present industry, especially engineering industry, will have to look for a sales market, because during the past few years industry has been working for industry. Not much for the market. I think that in a couple of years, if you are talking about machinery, agriculture will become completely saturated. A farmer will not have to go to the voivodship for machinery, or to the minister... He will go to the gmina cooperative, make his selection, and complete his purchase.

[Question] Shaker-rakes too?

[Answer] Yes. Things are not the best with fertilizers either. The real index for 1985 is 213 kilograms NPK [nitrogen-phosphorous-potassium] per hectare, so there must be an increase in the role of improved agroengineering, the application of organic fertilizers, and the use of aftercrops. Here there is the possibility of improving domestic production, because we have sulfur, copper, and zinc. The most important thing is that the chemical industry has recently been showing great good will and understanding. This is very important, because the possibilities of import continue to be very limited. Therefore, we must look for our own solutions, and in its own way priority is being given to pesticide needs in the allocation of foreign currency.

[Question] Is agriculture also disturbed by the level of prices on services?

[Answer] Prices on services have not changed in years. If we compare them in products and not in cash, for example those of 5-6 years ago with those which the farmer must now pay, these services are even cheaper. For example, one had to pay 3.5 quintals of grain to mow a hectare with a combine, but the current price is 2.6 quintals. After all, we have to say the same thing about the rise in the costs of the means of production, even tractors. For most machinery the farmer now will have to pay less in terms of products than in 1978, but of course he will be paying more than last year. And we already know the causes for this.

The higher services prices will prove advantageous not only to the enterprises rendering the services but also to the farmers. Sometimes the farmer has had to wait 3 days for service, because services were cheap. He waited, although sometimes he could have done the thing himself somehow. There were instances where the farmer had his own machinery, his own tractor, but he availed himself of the cheaper SKR services, and at the same

time the services were unavailable to those who needed them. This applies to a large number, several hundred thousand, of farms without horses, farms run by peasant workers, and the like.

After all, considerable subsidies on the prices of services are projected to continue. They amount to about 12 billion zlotys. Not all services will be subsidized, but chemical services, that is, plant protection, application of fertilizers, transport and application of lime, and also the peeling of potatoes, and even the spreading of manure. The service must be profitable for the SKR. Hence, subsidies will be paid to the SKR's on the basis of the services performed for farmers at prices below direct costs.

[Question] The new procurement and supply prices should improve the situation regarding crop contracting and also the organization of wholesaling...

[Answer] There are plans to pay bonuses for deliveries made by the deadline specified in the contract. Bonuses will be introduced for delivery on a specific day, for example, in livestock deliveries. The contract system will encompass the widest possible range of farm products, but this is a separate subject and a very broad one.

[Question] What should agriculture and the towns get out of the rise in procurement and supply prices?

[Answer] Generally speaking, the price reform is to lead to market balance prices with regard to both the prices on the means of production and retail prices. On the other hand, the equilibrium price is that price which makes everyone buy as much as he needs and not stock up, because the market is continually well supplied. People work and save money, because money has its value. There is market balance when the amount of money on the market corresponds to the value of the commodity on it. For example, last year the consumption of meat in our country, raw weight, of course, was somewhat above 60 kilograms per person, which means the same amount as in 1973. But then there were no problems on the market, because there was market balance. And after all there are many countries in Europe where the consumption of meat is lower than it is in Poland, but the butcher there is still waiting for the customer. The system of market balance is to lead to the end of rationing of both the means of production and manufactured consumer goods, and also foodstuffs. For example, the meat rationing system in our country is not going to last long, provided that next year the successive corrections are introduced to make it possible to do away with subsidies. What is most important, market balance stimulates genuine incentives to increased production, and to better, more productive work.

I was recently in my native village and talked to my neighbor. He said that he had collected a little money. If he had to spend it on something, he could still raise a couple more hogs.

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CSO: 2600/342

LOSS OF FARMLAND TO OTHER USES NOTED

Warsaw RZECZPOSPOLITA in Polish 20 Jan 82 p 4

[Article: "Improvement in Land Management But Inadequate"]

[Text] Cropland declined by another 36,000 hectares in 1981. Where are things better? Where worse? Should forestation of poorer soil continue? Tighter regulations for the protection of farmland and forest lands in preparation.

Between 1960 and 1981 we lost nearly 1.5 million hectares of cropland (1,492,000 hectares, to be exact). Two-thirds of this area was put under forestation, but nearly one-third (448,900 hectares) was transferred to nonagricultural and nonforest purposes, that is, for the expansion of urban areas and industry, for roads, railroad lines, artificial reservoirs, and the like.

It is worth emphasizing that between 1960 and 1981 more than 345,000 hectares in the country were reclassified into the statistical groups we call nonarable land and remaindered land. Currently such land withdrawn from agricultural use totals 3,664,000 hectares altogether.

Hence the picture of land management from 1960 to 1981 is very unfavorable. More than 54,000 hectares of cropland dropped out of production annually between 1970 and 1980. The figure for 1981 is 36,100 hectares, which is also a very great deal, although it is below the average of the previous decade.

The agricultural census which the Main Statistical Office conducted in June 1981 shows that the area of cropland is not shrinking everywhere. A certain increase in cropland has been noted in Warsaw, Przemysl, Suwalski, Tarnobrzeg, and Zamosc Voivodships. This was the consequence of the stoppage of certain investments and also of the recultivation and management of nonarable land. Such actions merit recognition and should be duplicated.

Unfortunately, in most of the voivodships the amount of cropland continued to decline in 1981. The greatest cropland losses occurred in such voivodships as Bialystok (3,200 hectares), Czestochowa (1,300 hectares), Gorzow (2,200 hectares), Krosno (1,000 hectares), Lublin (1,800 hectares), Nowy Sacz (1,800 hectares), Pila (3,300 hectares), Rzeszow (1,900 hectares), Skierniewice (1,700 hectares), and Tarnow (2,100 hectares).

The afforestation of lands of poorer quality is also becoming a problem which merits consideration. The country's forested area after World War II increased from about 21 percent to 27.8 percent. Of course, this is a good thing, up to certain limits. The country's food needs are increasing, and the population increases at an annual rate of 0.8 percent. We must therefore produce food not only on the areas with black soil, the loess, the fertile soil, the fertile loam, or the strong rubble, but also in the whiter soil areas, the lighter rubble, and the sandy soils, because such land makes up over half of all the cropland in Poland. It therefore seems essential to tighten up the criteria for turning the weaker land over for forestation.

We must devote increasing attention to the protection of cropland. The improvement of the country's food situation depends on it. Useful to this end will be the next revision of the law on the protection of farm- and forest land and its recultivation, a draft of which the government has already sent to the Sejm. To put it in the most general terms, this law is aimed at further tightening the requirements to protect farmland from any forms of disrespect or its use for other purposes.

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CSO: 2600/335

ENERGY-FUEL PROBLEMS, PRODUCTION ASSESSED

Major Fuel-Energy Problem

Warsaw RZECZPOSPOLITA in Polish 15 Jan 82 p 4

[Article by Tadeusz Podwysocki: "The Major Problem in the Economy; Why Improvement in the Consumption of Energy and Fuel Has Not Been Profitable"]

[Text] New producer prices on raw and other materials and payments for energy and heating fuel have gone into effect. A ton of hard stoking coal now costs, on an average, 1,870 zlotys (the previous average was 467 zlotys), and crude oil costs approximately 13,400 zlotys, compared to 2,000 zlotys before controls. And so not until now has there been compliance with the demands of specialists who for many years have assured us that the low wholesale prices of fuel and energy constitute an obstacle in the path of measures which might reduce the energy-intensiveness of the economy and industry.

I have before me the professional report prepared by the Committee on Energy-Industry Problems and the Raw-Materials Team of the "Poland 2000" Research and Forecasts Committee of the Polish Academy of Sciences. This report, dated June 1978, contains this revealing statement: "The fact that Poland is in the group of the largest devourers of fuel and energy is an alarming problem." Further on, the scholars list among the most important reasons for the high energy-intensiveness of our economy, "the maintenance of irrational prices on energy sources, prices which create no incentive to economize".

In essence, efficient consumption of electrical current or coal did not pay. Current was simply too cheap to make it worthwhile to install in the mining industry, or metallurgy or transport, such items as modern electronic elements and subassemblies (diode and thyristor converters, thyristor power-drive systems). The cost of this electronic equipment was too high and it was more profitable to waste energy than to save it. Yet one megawatt of generating capacity of electronic energy equipment in the national economy represents a savings of over eight percent of energy converted. In the case of industrial power drives operating under changing load these savings amount to over 20 percent, and for locomotive drives, over 15 percent. If diode and thyristor power feeds were used as current transformers in the refining of copper or aluminum, as much as 10 percent of the consumed energy could be saved in these tremendously energy-intensive processes. Replacement of a motor converter with a thyristor device in the power drive of the spindles of a textile machine

would increase efficiency as much as 40 percent. And use of thyristors in a rolling-mill unit increases efficiency 38 percent, making it possible to increase production 11 percent.

According to Swedish specialists, thyristor control of arc furnaces not only results in significant savings in energy but also reduces smelting time by over 13 percent. Use of thyristor inverters for induction heating can cut costs by over 25 percent in comparison with the traditional use of gas and oil.

The Struggle With Waste

The waste of fuel and energy has reached such proportions that it exceeds the imagination. In Poland, two to four times more energy is used to produce a unit of national income than in other industrialized countries. Industry wastes three times more energy than our society uses for its personal needs. The analysis of the experts shows that the excess amount of energy consumption in our industry amounts to 30 percent. A machinery factory in France or the FRG, employing 4,000 people, requires 20 to 40 percent less electrical energy than a similar factory in Poland.

Although in the FRG 1.9 times as much fuel per conversion is used (in the middle of the last decade) than in Poland, 2.8 times more electricity was generated there, 2.7 times as much steel, 6.6 times as much aluminum, 1.8 times as much cement, and as much as 12 times more plastics. Technology and machinery and equipment, obsolete from the standpoint of fuel and energy consumption, increased in Poland. The waste curve rose. Not even the largest and most modern industrial plants were designed and built with the idea of saving energy.

The Growth in Energy-Intensiveness

The excessive and growing energy-intensiveness of our economy is shown by the fact that in 1974, in order to obtain a one-percent increase in generated national income, there was a half-percent increase in primary energy, but the following year, in order to obtain the same growth rate, 0.7 percent energy was consumed. During the following years this steady increase in energy-intensiveness was not halted, for in 1978, in order to obtain a one-percent increase in national income, a more than 1.5-percent increase in primary energy consumption was required. The further growth in the energy-intensiveness of the national income in 1980 amounted to 8 percent, in comparison with 1979.

In France, for \$1,000 in total product, 597 kilograms of standard fuel are consumed, but in such Third World countries as Indonesia, the figure goes up to 932 kilograms, and in Mexico, 1,100 kilograms. It turns out that on this list Poland is in worse shape than many technologically backward countries, for its consumption of primary energy in relation to total product (per \$1,000) is 1,337 kilograms of standard fuel! Immediately after us is India, with 1,464 kilograms.

The Likelihood of Progress

Economy and improvement in the consumption of energy do not rest in the hands of those to whom, on the whole, the appeal is made. The most important and fundamental influence on the process of energy utilization is exerted not by those who operate energy-intensive equipment, but by those who design, construct and modernize it.

If, in ferrous metallurgy, the designers always took into account the correct preparation of the charge and the aerodynamics of the blast-furnace process; if very large units were constructed with pressure and heat recovery; if, during modernization and expansion in past years only modern, convector, oxygen-basic processes had been applied; and if continuous casting and between-operations heating had been used--our energy savings would be from one-half to two-thirds.

Technical progress is costly, and because in industry, fuel and energy were not very important in the cost-accounting of an enterprise's production, units and machines that were expensive only because they were energy-efficient were not designed nor were they purchased abroad. Under the old producer prices it was not in the interests of the enterprises to improve the consumption of energy and fuel. Why use expensive transistors, thyristors, and automation that would optimize energy consumption, if this does not have a great effect on prime costs of manufacture, and, on the contrary, increases the outlays for modernization or new investment.

But that is how it was until the end of last year. Today producer price controls should force industry to look for ways to improve the consumption of fuel and energy. Let us hope that the incentives for savings have appeared.

Hard Coal Production Decrease

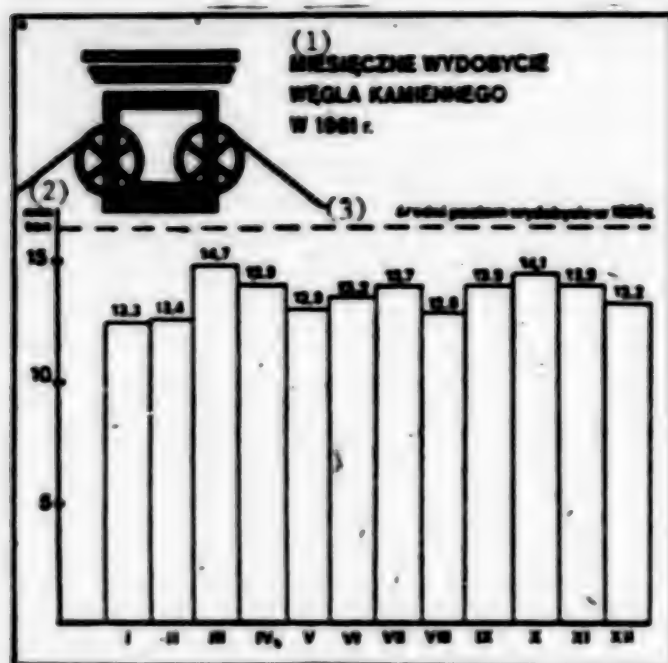
Warsaw RZECZPOSPOLITA in Polish 16-17 Jan 82 p 4

[Text] The National Socioeconomic Plan for 1981 envisaged the production of 188 million tons of hard coal, based on an 8-hour workday and a 5-day workweek. Negotiations with trade unions resulted in 7.5 workday and reduced the days worked, which, since production at the beginning of the year was low, made the plan's assumptions unrealistic. Thus, in February, a so-called mobilization fund was established, which provided extra pay for mining on free Saturdays. When payments from this fund stopped in April of this year, production began to decline and was 1.3 million tons lower in the second quarter than in the first quarter. A plan was updated which envisaged that after a number of technical and organizational measures were taken (e.g., increasing mine employment--it rose by 20,000), production would reach 168 million tons.

Production was also low in the third quarter, amounting to 593,000 tons on regular workdays and 145,000 tons on voluntarily worked Saturdays. Thus it continued to be lower than in the first quarter. Under these circumstances, Council of Ministers Resolution No 199 was adopted, which provides a new system of material incentives for miners. Its effects are hard to estimate in view of the short time it was in effect prior to December 13, 1981. By the end of the year, 163 million tons of coal were mined, i.e., 25 million tons less than initially envisaged.

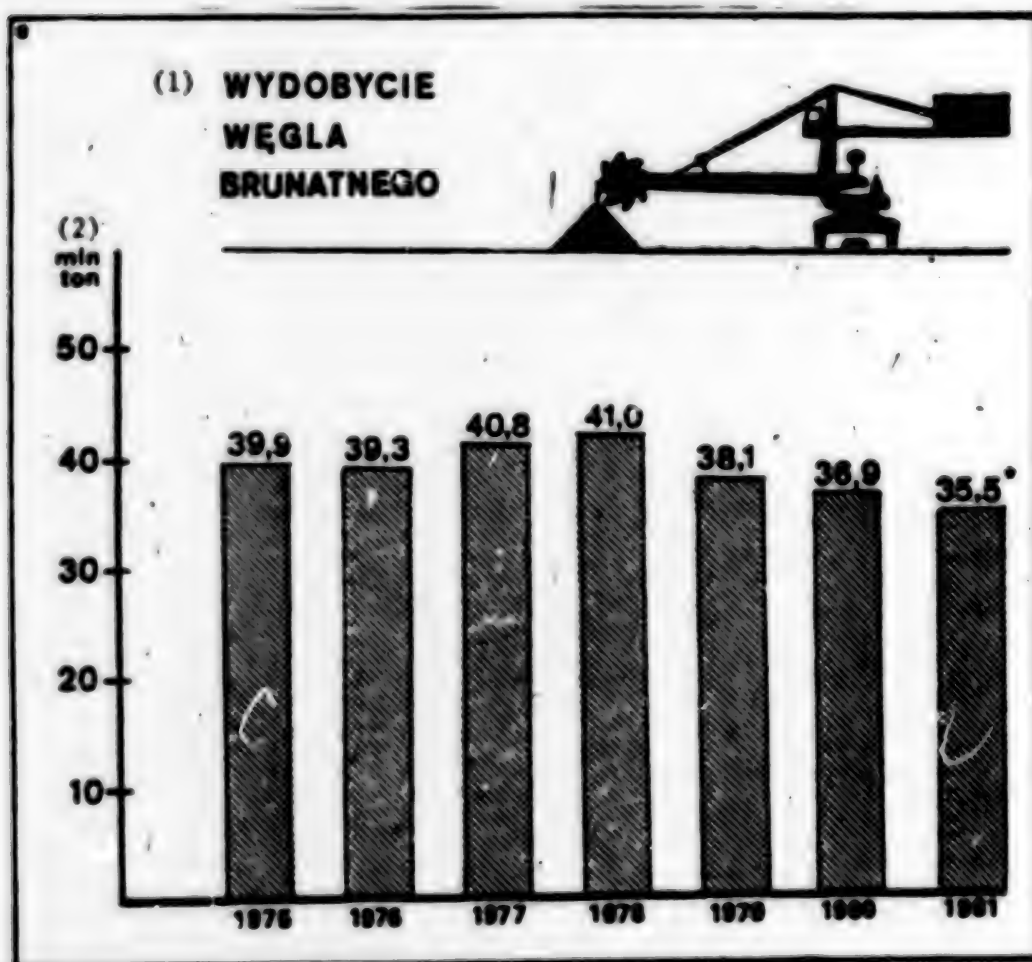
The first days of the new year show a considerable improvement. Daily production on normal workdays averages 620,000 tons.

How soon the country comes out of the crisis depends to a large degree on how long this trend continues. [See bar chart on following page]



Key:

1. Monthly production hard coal in 1981
2. Millions of tons
3. Average level of production in 1980



Key:

1. Production of brown coal
2. Millions of tons

* Estimated data

Brown Coal Production Decrease

Warsaw RZECZPOSPOLITA in Polish 15 Jan 82 p 4

[Text] Brown coal mining also declined [see bar chart on preceding page], but not as sharply as hard coal. The decline was primarily responsible for the drop in the production of electrical energy in four electric power plants (Turow, Patnow, Konin and Adamow) which have a total capacity of 4,400 MW and produce 23 percent of the energy generated in public-utility power plants.

One of the most important reasons for nonfulfillment of the mining plants is the 1-year delay in the construction of two new mines in Belchatow and Lubstow.

The situation should improve this year because it may be possible to remove the overburden in the Belchatow region by using the machinery that was initially intended for the construction of another mine.

Furthermore, advancement of the Lubstow mine may make it possible to mine 0.5 million tons of brown coal this year, 3.5 million tons in 1983, and 5.4 million tons in 1984. This will permit full utilization of the production capacity of the Patnow and Konin electric power plants and gradual elimination of coal deliveries from the strip mine in Turow.

Major Fuel Difficulties

Warsaw RZECZPOSPOLITA in Polish 21 Jan 82 pp 1, 8

[Interview with Jerzy Wojcicki, chief inspector of power management, by Slawomir Popowski, PAP, Warsaw; date and place not specified]

[Text] The 30-million-ton drop in hard coal output, the reduction in imports of crude oil from the Arab countries, and finally the delayed overhauls in electric power and heat generating plants--all caused last year's fuel-energy balance to be exceptionally strained. For example, some cement factories had to be shut down for lack of coal. In turn, the shortage in electrical power meant that (especially in the fall) sometimes, in order to save the power system, we had to resort to drastic reductions in current supplies. And finally, crude oil. The problems with this fuel were attested by the tremendous lines at gasoline stations, and temporary suspensions of sales of gasoline to private drivers, and in large part, to socialized consumers.

The chief inspector of power management, Minister Jerzy Wojcicki, talks about the country's present fuel problems in an interview granted to a PAP journalist.

[Jerzy Wojcicki]: The country's present power situation is decisively affected by the fuel problems with which we contended last year. Despite everything, I am still an optimist. Hard coal mining is showing good results of late. This gives us hope that the situation will gradually improve, insofar, naturally, as there are spare parts obtained from imports and materials and equipment obtained here. We are now operating under difficult winter conditions. December 1981 and January thus far have been much colder than the last several years. But we have been able to assure relatively good supplies of fuel--coal, coke and heating oil--needed for power purposes.

In 1981 the biggest mishap in the power industry were the delays, more or less two months, in the course of the repairs and overhaul campaign. What it finally came down to is that even now, in January, repairs on some equipment are being completed, which naturally has a bearing on the possibilities of supplying the country with electrical energy.

[Question] Your assessment of the present hard coal supply is really encouraging. On the other hand we know that precisely for lack of coal entire industrial installations, and even plants, are not operating.

[Answer] This is true. Last year, due to the coal shortage, we had to close some installations and plants, mainly in the construction materials industry and in the raw materials industry. I would like to emphasize, however, that these are plants--house or cement factories--about which we had already made decisions either to reduce their production or shut them down entirely. We must call attention here to two elements. The situation in mining actually has begun to improve (due, among other things, to mining on Saturdays), but we are still a long way from the amounts that mining delivered in 1979 or 1980. Second, we must finally become aware of the truth, known throughout the world, that the days of abundant fuel belong to the past.

But returning to the plants that are shut down. The decisions that we have made as a rule pertain to the units with the worst indicators of fuel consumption.

To put it simply, if we have small amounts of coal it is better to use them in the plants that show the best results, and not give all the plants a little. That, it seems, is logical.

[Question] The next problem--crude oil. What happens with gasoline and when will gasoline sales again be made to private consumers?

[Answer] The difficulties with deliveries of liquid fuels were caused primarily by the reduction, of about 2.5 million tons, in the processing of crude oil. This was the result of the need to reduce to an absolute minimum, and actually to eliminate, the import of crude oil from countries in the so-called third payments area, mainly the Arab countries. We simply did not have the foreign-exchange funds. It is worth remembering here that up to now we have purchased about 20 percent of the crude oil used in our country from the Arab countries. And that is how much we are short. The breakdown occurred in the fall of last year. The needs grew very rapidly and the production of gasoline began to drop sharply. Finally we even had to go into the basic reserves of this fuel. In total, last year, for example, in the private sector, we used 1.7 million tons of gasoline, and in the socialized sector (it was drastically limited), it was 1.5 million tons. This explains, to a certain extent, why the decision was made to suspend sales to private consumers. There simply was no other way out.

At this point we should explain one of the myths that is popularly believed. It is often said that the share of private automobile consumers in the total consumption of gasoline is minimal. This would still be true if we were talking about 1975, but it is not true now. Seven years ago the socialized economy consumed almost 2 million tons of gasoline, while the population consumed only 693,000 tons. But since then the demand by private vehicle consumers has been rising on an average of 200,000 tons annually and surpassed the socialized sector a long time ago.

[Question] But when will normal sales of gasoline be resumed?

[Answer] It is hard for me at this point to give an exact date. The matter will be examined very shortly and, I expect, some decision on when sales will be resumed will be made as early as this month. At present, talks are going on regarding future deliveries of this fuel.

[Question] For some time now radio reports have given information on the levels of power supply in effect in supplies of natural gas. Is this the next fuel of which there will be a shortage?

[Answer] The matter of supplying the country with natural gas is a little like the situation in the power industry. If the outdoor temperature stays up to minus 5 degrees Celsius, we have no great difficulties with supplies. But if it drops below this figure, we must limit supplies. The reason for this state of affairs is the lower deliveries, by as much as one-half, of high-methane natural gas from domestic sources. This is a problem that our economy has been contending with for several years and in this case, it is essential that research and geological searches be accelerated.

[Question] The last question--what happens now? If the fuel shortage is to be something permanent, if we will never return to the years of abundant fuel, then what are we supposed to do in order to keep the consequences of this state of affairs to a minimum?

[Answer] There is only one answer, and it becomes banal from frequent repetition: Above all we must save fuel and energy and improve its consumption.

There is a great deal of expectation now that economic reform will perhaps finally create the mechanism that will force efficient fuel-energy management.

The start for this has already been made. It is the new producer prices on all basic fuels and energy.

Fluidized Boiler Operation

Warsaw RZECZPOSPOLITA in Polish 16-17 Jan 82 p 6

[Text] The most important goals of political science for 1981-1985 center around raw-materials and energy problems.

They include the comprehensive processing of coal, optimal utilization of resources, the development of production of products from copper and alloys, and the comprehensive development of the energy industry. As reported by the Ministry of Science, Higher Schooling and Technology, the application, in hard-coal mines, of the technology of removing a thick bed by layers from the ceiling to the floor by using a hydraulic filling, will make it possible to work crumping beds, will reduce losses in coal reserves, improve safety and work conditions, and stabilize the organization of the work.

However, series production of a new type of gangway casing will, in practice, eliminate the import from Western countries of this type of mining equipment, which is valued at 20 million foreign-exchange zlotys per year. A large expansion in production of these casings is expected by 1985.

The plan to conduct operational tests on a fluidized boiler (WF-40) in 1982 is worth noting. Thus the home energy industry would enter into the period which would bring the practical application of one of the most progressive and promising technologies in the world today a little closer. Fluidized boilers make it possible to burn the lowest-quality coal, even mining wastes, without polluting the environment.

New Power Plants, Difficulties

Warsaw TRYBUNA LUDU in Polish 2 Feb 82 pp 1, 2

[Text] The recent violent temperature fluctuations had an effect on the country's power system. Demand for energy changed drastically, and a 20 level of power supply was also recorded. The average daily shortage of power in January was about 1,000 megawatts.

The end of winter is still a long way off and if industry does not use energy more efficiently, the shortage may become even worse.

Coal supplies improved in January. Stocks amount to 2.1 million tons and are sufficient for 10 days of uninterrupted power plant operation. Most of the credit for this should be given to the mining workforces. Coal is delivered 6 days a week, which makes it possible to reduce the drop in the stocks.

Belchatow and Polaniec Will Decide

Continuation of construction of new power plants may make it possible to improve the power balance. It is estimated that if unforeseen disruptions do not occur at the construction sites, 2,100 megawatts from new power units will be switched into the national network this year.

Work on the "Polaniec" electric power plant is moving at a rapid rate. Unit 5 was started up recently. Units 6 and 7, each 200 MW, are under construction.

The first unit in the Belchatow electric power plant is also being "broken in". If this proves to be efficient, another, a 360 MW unit, will be put into operation as early as this year.

The construction of the pumped-storage electric power plant in Zarnowiec, which has been going on now for a couple of years, will finally come to an end this year. All four units, after startup in peak-period hours, will supply the country's system with 680 MW.

Work on several electric-power and heat-generating plants is far underway. For example, Poznan will receive 50 MW of power, Gdansk, 55 MW, and Bydgoszcz, 32 MW.

This will improve the unfavorable heat balance in these cities. The Poznan investment deserves particular attention. It will make it possible to eliminate the operation of boilers heated with heavy fuel oil, thus saving many tons of this very scarce fuel.

Expectation that Repairs Will be Better Organized

The power units which will be put into service, even though they will improve the country's energy balance, will not satisfy all the needs. Above all, they will not create a reserve of power which would be available in case of sudden failures.

In most power plants the equipment is old, overworked by excessive operation. It has been calculated that the time during which maximum power was being used in recent years amounted to 5,000 hours, which is 2,000 hours more than in other countries. That is why, this year, repair rigors and work discipline have been sharpened.

The ministry management, reported Witold Kasinski, deputy director of the Department of Electric Power Plant and Electric-Power and Heat-Generating Plant Operation in the Ministry of Mining and Energy, has ordered that the overhaul time on the power units be reduced. Last year the halting of work on free Saturdays slowed up the rate of the work quite substantially. Although previously, for example, overhaul of a power unit took, on an average, 37 days a year, in 1981 this extended to 50 days. This meant that last year's overhaul campaign was not conducted properly.

We have prepared an analysis of the power availability rate of the overhauled units. It showed poor work quality and a large equipment failure rate. We have prepared a totally different system for conducting repairs. Responsibility for the work performed has been tightened. This will contribute to more efficient conduct of repairs and also to better performance.

Planned inspections, by the new organizational rules, have been made on equipment totalling 830 MW. During this year's overhaul campaign electric power plants with a total power of 20,000 MW will be covered.

Coal Production, Economic Recovery

Warsaw TRYBUNA LUDU in Polish 8 Feb 82 p 3

[Article by Stanislaw Aibinowski: "Not by Coal Alone; The Economy in the Crisis Noose"]

[Text] We have an enormous production potential, of which we are utilizing only 60 percent in industry and 50 percent in construction. We have sufficient, and at this time an actual surplus, of labor resources, and the skill level of the workers is higher than in many of the world's most developed countries. There is an absorbent and unsatisfied domestic sales market, and export capabilities are many times greater than current export.

Why, then, has production and income been falling, for the third year in a row? Primarily because we have nothing which to produce from. We lack raw and other materials, energy and fuels. Again, the same question. Why?

We are, of course, a country that is rich in raw materials. Although we do not have our own crude oil and iron ore, the total documented reserves in our mines amount to over 500 billion tons! Our mining production at the end of the last decade, calculated per one person, was twice that of the world average. Such developed countries as Switzerland, Austria, Belgium and Italy, to say nothing of Japan, would be happy today if, relatively speaking, they had half of what we have.

It is said that we do not have enough raw and other materials and so material supplies are the bottleneck in our economy. This misconception should be corrected. The bottleneck is really excessive consumption of materials and waste or failure to utilize available reserves. But let us look at both sides of the coin, if we can compare our materials management with a coin. Actually, it is a time bomb. This bomb has been ticking for a long time, but the people responsible for the economy have been deaf to its signals. Now this bomb has exploded, shattering our economy. Although the fact that there has been an explosion is admitted (for it would be hard to deny), the primary cause for it continues to be ignored.

Let us begin with the supply side of the problem. Supply is determined by domestic production and foreign trade turnover balance. What is our production of raw and other materials? It is impossible to answer this question accurately. Polish statistics are among the most developed in the world, but the Main Statistical Office does not give an amount so basic as the division of production into raw-materials and processing. In the face of this astounding phenomenon, I am forced to make my own estimated calculations. For these purposes I include in raw-and-other-materials production the "basic" industries: coal, fuels, power, ferrous metallurgy, nonferrous metals, construction materials, and timber. It is impossible to separate the chemical raw materials. I must leave out agricultural raw materials for industry because there are no inter-subsector input-output tables for the final years of the past decade. I include the remaining branches of industry (along with chemistry) in the processing industries.

Under this formulation, whose conventionality is forced, it appears that based on data from the Main Statistical Office, during 1970-1979 the increase in value of production from the processing industries was four times greater than that from the "basic" industries. Respectively: 896 and 218 billion zlotys (in 1971 prices). Thus the supply gap was somewhat planned, and its size, taking into account the increase in materials input from 50 to 56.6 percent, amounted to almost 300 billion zlotys in 1979! If, in spite of this, the balances were supposed to "measure up", then apparently it was expected that imports would grow--but about this later.

There are still no data for 1980 and 1981, but we can assume that although there were no important changes in 1980 in the area mentioned, the situation deteriorated drastically in 1981: production of the most important raw and other materials (except electrical energy, copper, coke and natural gas) dropped to a greater degree than all of industrial production. The causes for this were varied, but the main cause without a doubt was the suddenly reduced working time.

There can be no doubt that the most severe blow to the economy was the 30-million-ton drop in coal output. This represented, after conversion, a loss on the order of 2 billion dollars. Of course, only a portion of this sum would have been obtained in the form of foreign-exchange revenues in convertible currencies.

The loss of 30 million tons of coal is, without a doubt, tremendously important, but it does not give anyone the right to say, as Mieczyslaw Kaminski, for example, did, in RZECZPOSPOLITA, dated January 16: "The decline in coal output has become the most serious obstacle in the implementation in the program for overcoming the crisis." To support this thesis, M. Kaminski tells us that ... "in the difficult year of 1981, the reduction of coal output by 1 million tons represented a loss of industrial production amounting to 30 billion zlotys".

Hence the conclusion that if coal output had not fallen by 30 million tons, industrial production would have been higher—compared to what it actually was—by 900 billion zlotys. Therefore, in place of a drop in this production in 1981 of about 430 billion zlotys, we would have had an increase on the order of 470 billion zlotys, or almost 14 percent as compared to 1980. Please, let us not go mad or else we will never get out of this crisis.

A realistic calculation looks approximately as follows: Assuming the existing structure and coal-intensiveness of industrial production, and assuming the very optimistic hypothesis that imported raw material valued at 1 dollar will allow us to produce a unit with a total value of 150 zlotys, the result will be that out of these (not produced) 30 million tons of coal we will have to earmark 21 million tons for import of input material, and 9 million tons for consumption in industry, so as to obtain an increase in total production on the order of 220 billion zlotys. Of this, only 80 billion zlotys would constitute net production (national income), while the rest would be used for "internal" needs of industry. Therefore, if we had these 30 million tons of coal, the drop in industry's total production would be over half less, but the drop in national income generated in fixed prices would be 9.3 percent instead of the actual 13 percent.

This calculation, which should be regarded as a very "rough" estimate, makes it possible to formulate several conclusions:

--First, it gives an approximate determination of the actual size of the production losses suffered by the economy as a result of the reduction in coal output by 30 million tons in 1981;

--Second, it rejects the thesis cited above that places the main responsibility for the economic catastrophe of the past year on the coal mining industry. Because even if 193 million tons of coal had been produced, there would have been a drop in income of over 9 percent, while the first version of the plan envisaged an income drop of 3.3 percent with coal output at 188 million tons;

--Third, the conclusion is that some other, more powerful factors in the economic recession, had to "operate" here, and not just the decline in output of coal.

I have always opposed this "monocultural" coal concept, because our economy is too complicated (diversified structurally) for only one product, however extremely important it might be, to decide its fate. That which may be correct in relation to a situation in a "banana republic", is not correct in relation to Poland. I have criticized making the variants of the plan for 1982 almost exclusively dependent on the size of the coal output, and I have also criticized the officially announced thesis that the fate of economic reform is dependent on 20 million tons of coal (see TRYBUNA LUDU, October 14, 1981). Coal is not and never was the only bottleneck in our economy, and the "coal" possibilities of widening the bottleneck shrink not only to the extent that receipts from coal exports shrink, but also because of the growing dependence on import of supplies from capitalist countries.

I can say with satisfaction that this viewpoint has now been recognized by the Planning Commission, as shown by the following statement by deputy premier Zbigniew Madej for PAP, published in TRYBUNA LUDU, January 23/24, 1982: "Only a couple of months ago I said that the country's coming out of the crisis will be decided by an improvement in the coal mining situation. Now, without diminishing the importance of coal for the economy, I believe that the center of gravity has shifted to the sphere of supplying industry with raw and other materials imported from the second payments area [capitalist countries]."

I will now go on to a very abbreviated presentation of the second factor in the supply of raw and other materials, i.e., the import of supplies. The dependence of domestic production on this import has increased dangerously in the past decade. I will not discuss the reasons for this, because this is a subject for separate consideration, but I will state an unshakeable fact, that in 1972 we assigned 51 percent of the total import for industry's current production requirements, while in 1980 this amounted to almost 60 percent, of which 70 percent was import from capitalist countries, expending over 6 billion dollars for this purpose. Not expending, I should say, but taking on credit. Our indebtedness had already reached such a level that repayment of instalments and interest in 1980 exceeded 80 percent of our foreign-exchange receipts from export to this area. In 1981 the situation was still worse. As a result, the imports of supplies from capitalist countries for all industries (with the exception of food and agriculture), were reduced drastically, as much as 40 percent (calculated in fixed prices. It was only due to the equalizing deliveries from socialist countries, mainly from the USSR, that the total volume of supply import decreased by 20 percent. Converted to domestic prices, this represented a widening of the supply gap in 1 year to 60 billion zlotys. For comparison, I would like to remind you that during the entire past 10 years, this gap, caused by domestic disproportions, reached a level on the order of 300 billion zlotys. At that time we filled that gap with imports on credit, and now we had to reduce these imports drastically.

After taking into account the drop in domestic production, we can assume that the shortage of raw and other materials consumed by industry amounted to at least 430 billion zlotys in 1981, which roughly corresponds to the estimates in accordance with which the loss of total production due to incomplete utilization of existing potential amounts to 900 billion zlotys. That is the partial cost of the mistakes of economic policy in the past decade. The growing accumulation of these effects meant that in 1981 those threshold amounts had already been exceeded beyond which

a spontaneous escalation mechanism begins to function. In cybernetics it is called favorable feedback, i.e., a mechanism which moves a given system away from a state of balance at an increasing speed. Counteraction to such motion is much more difficult and requires more energy than simply keeping the system in a state of balance.

The principle counteraction method, which would make it possible to stop the rate of decline and gain control over it, was to weaken the basic factor that was destabilizing our economy. This is bad materials management, so bad that the results in relation to the outlays borne were increasingly lower. Under such management, the more we work, the less we have. Materials management, which I take also to be management of reserves and production consumption, will be the subject of the next article in this series.

(The first article in this series was published February 4, 1982 [*in italics*])

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CEAUSESCU PRAISED FOR CONSISTENT SUPPORT OF AGRICULTURE

Bucharest REVISTA ECONOMICA in Romanian No 3, 22 Jan 82 pp 6-7

[Article by Prof Oprea Parpala]

[Text] In the modern world, where the food problem more and more is a condition for man's social-economic development, theoretical and practical concerns with modernization of agriculture long ago lost their subjective nature and they represent a vital option for creating a flourishing economy able to insure the people's well being. It is remarkable that in the agrarian economic thinking of the president of socialist Romania--Comrade Nicolae Ceausescu--the scientific option for development of agriculture is combined with the love for his forefathers' land and for the oldest creator of material goods and preserver of the national continuity--the peasants.

I think it is very significant that in a period in which the thesis predominates of the conservatism of the peasants, presented as an amorphous social and political level devoid of revolutionary combativeness, whose contribution to Romania's social-economic development was deliberately reduced, Comrade Nicolae Ceausescu is the first to rehabilitate the role and place of the peasantry in the revolutionary struggle of the Romanian people for national independence and social justice and reestablish it at its true dimensions. Smashing old dogma, the secretary general of the Romanian Communist Party brings out the peasantry's revolutionary force in the life of the Romanian people: Under conditions in which it was the main class of Romanian society, the country's history overwhelmingly is the history of the peasantry. To deny the peasantry's revolutionary force means to deny an important page in the revolutionary past of the Romanian people. The big peasant uprisings which culminated in 1907--and this spring it will be 75 years since then--are witness to their patriotism and revolutionary force, demonstrated with such self-sacrifice in the big class battles and resulting in just as many victories which they carried out alongside their natural ally, the working class, which became the leading class in the job of creating socialism on Romania's land. The victory of socialism in the villages--which at the same time meant the final and irrevocable victory of socialism in Romania--changed the peasantry into a new social class with a powerful revolutionary spirit. In building the multilaterally developed socialist society as well as in creating conditions for the move toward communism, the peasantry represents an important social force which is dedicating its efforts to raising the country to new heights of progress and civilization. There were many writers and poets--coming from the land or tied to the land--who extolled the vitality and revolutionary force of the Romanian peasant. However, not one of them, through scientific depth and love, equals the pages in which Romania's president rehabilitates the Romanian peasant's revolutionary role, pages which praise those who always were the "peasantry."

Because in Romania's social, economic and political life the peasant does not mean just the past or the present but, rather, the future: his work takes place in the most important and complex branch of material production, vital not only for development but even for the existence of Romanian society--agriculture. It is the indisputable merit of Romania's president that in a period in which the role of agriculture in the socialist economy is being minimized, he has substantiated the role and place of agriculture as the basic branch in the socialist economy, particularly in the countries which have natural conditions and favorable economic conditions for practicing intensive and multilateral agriculture. Combatting mistaken theses on the so-called priority development of industry to the detriment of agriculture by neglecting the modernization of agriculture, Comrade Nicolae Ceausescu has militated for the harmonious development of these two basic branches, depending on the needs and possibilities of each national economy. In this context, the very important thesis on speeding up the process of intensification of production was worked out in order to increase agriculture's contribution to increasing the national wealth and, in particular, the national income, taking into account the special capacity of agriculture to produce more national income per unit of material expense compared with all the other branches of material production, including with industry.

Under the new conditions of the world energy crisis and the world food situation, the priority development of agriculture (along with energy production) has become an urgent need.

The interdependence of industry and agriculture in a period in which the development of industry more and more is a condition of the importing of raw materials and fossil energy changes agriculture into a true base for Romania's industrial development, since it not only provides the supply of the nonagricultural population with agricultural food products, but it also supplies raw materials for development of certain processing industries. The capacity of agriculture as the single branch of material production which accumulates new energy gives it new features and functions in the strategy of Romania's economic growth.

The particularly important role which agriculture has in the thinking of President Ceausescu also is carried out in the new thesis on self-leadership and territorial self-supply, upon which basis the four-year program was worked out for territorial self-supply with agricultural products. Actually, territorial self-supply is a natural result of the concept of territorial self-leadership as an expression of broad democratization in the leadership of modern Romanian society through establishment of the worker's councils at the county level, too. It is natural for one of the main duties of self-leadership to be local self-supply, primarily on the basis of the local consumption fund and only for the products which do not give optimum output--through the state's central fund which mediates the intercounty exchange of agricultural products. Although territorial self-supply does not equal (and cannot equal) territorial food independence, it stimulates all agricultural producers to utilize production resources on a high level, given the fact that the production obtained beyond the plan remains at the disposal of local consumption.

One of the most current innovative theses for agricultural policy of the Romanian Communist Party, worked out by President Ceausescu over a long period of time, is the one on the new agrarian revolution in Romania. What is also characteristic of this thesis (as well as of the others) is the tireless struggle of Comrade Nicolae Ceausescu against immobilism in act and thought. The party's secretary general

pointed out just several years after conclusion of the cooperativization process that cooperativization of agriculture alone does not resolve the problem of its modernization but it is merely the condition for a prolonged and complicated process of the radical and revolutionary change of the material production base in Romania's agriculture, through implementation of a vast investment program. Developed in particular at the 12th party congress, this new concept, which has been assigned the name of the new agrarian revolution, was presented in a final form to the 2d congress of the peasantry, when not only the goals but also the ways and means of carrying out the new agrarian revolution in Romania were indicated. Conceived as a form specific to agriculture and the modern scientific-technical revolution, the new agrarian revolution seeks a considerable increase in agricultural production, an increase in economic efficiency in agriculture, growth in labor productivity and improvement in the general social conditions in agriculture. By fulfilling these goals, the new agrarian revolution contributes to the radical improvement in the structure of the population's food consumption, to generalization of self-leadership and self-management at the level of each agricultural unit, to an increase in agriculture's contribution to growth in the national income and, on this basis, to Romania's change into a socialist country with average level of economic development.

Fulfillment of the goals of the new agrarian revolution does not exclude but, rather, means an improvement in the relations of socialist production from the villages, including improvement in the methods of the leadership system. These improvements are intended to create the necessary social-economic and organizational framework for bringing the two forms of ownership in agriculture closer together through cooperation on equal footing.

At the same time, making working and living conditions uniform throughout the country, changing agricultural work into a version of industrial work and eliminating the basic differences between cities and villages require new organizational forms which, along with the social integration of the two forms of ownership, would achieve vertical economic integration of agriculture with the branches upstream and downstream from it. On this basis the new, revolutionary concept was worked out for the establishment and role of the state and cooperative united agroindustrial councils as territorial organs for the leadership and guidance of the agricultural units in their area of activity, with a view to more efficient use of all production resources, uniformization of production conditions in the state agricultural enterprises and agricultural production cooperatives (at the level of the leading units) and cooperation between state ownership and cooperative ownership. Through the historic role they have to fulfill the future, that of the revolutionary change of production relations in agriculture (of course, on the basis of the corresponding development of production forces), the united agroindustrial councils exceed the framework of a simple coordinating organ for cooperation in production, representing the bud for a future social-economic organization of Romanian agriculture.

With this prospect, President Nicolae Ceausescu is demonstrating permanent concern with improving relations between the socialist agricultural units within the united agroindustrial council, with a view to the maximum use of production reserves and resources which each form of ownership still offers.

In this context, one should mention that even since the 9th party congress Comrade Nicolae Ceausescu has drawn attention to the fact that the agricultural production

cooperative is the peasantry's form of social-economic organization throughout the period of building the multilaterally developed socialist society and the move to communism. It is interesting to stress that working out of this thesis was taking place under conditions where--as an expression of the attitude of lack of faith in the Romania's peasant's ability--insistence was being placed on changing some of the agricultural cooperatives--poorly developed ones--into state agricultural enterprises. The thesis on the role of the agricultural production cooperative is the natural result of Comrade Nicolae Ceausescu's concept on the political force of the peasantry and the Romanian peasant's ability to manage himself and to overcome the difficulties caused by the prior state of backwardness in which Romania's agriculture had found itself. And what is more, the organization of the united agroindustrial councils in no way affects the role of the agricultural production cooperatives and the state agricultural enterprises, which remain basic production units in Romania's agriculture. The main problem being posed in the current stage is that of finding similar forms of cooperation among them--on one hand--and among them and the stations for mechanization of agriculture on the other, which would insure the utilization of important production reserves available with maximum efficiency in order to raise Romania's agriculture to the level of the developed countries.

Stressing just several of the areas of economic activity in agriculture which have benefitted from the innovative thinking of President Nicolae Ceausescu, we mention that the originality of these solutions is determined not only by the need to adapt the general truths of socialist construction to the specific nature of Romanian agriculture but, in particular, by the period in which they were worked out. The fact is that the theoretical and practical activity of Comrade Nicolae Ceausescu as the head of the party and head of the state has its beginnings in the period immediately following conclusion of the cooperativization of Romanian agriculture. Whereas the experience of some socialist countries already existed at the world level on problems regarding the methods and forms for cooperation in agriculture, this was not present on problems regarding the role, functions and methods for integrating agriculture into the system of relations for building the multilaterally developed socialist society; even the more developed socialist countries were in the same phase of solving the agrarian problems.

For that reason, the importance of the theoretical theses--of great practical resonance for the development of agriculture--worked out by President Nicolae Ceausescu is the real contributions to the development of the agrarian theory of scientific socialism at the world level.

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IMPORTANCE OF MEASURES TO STIMULATE AGRICULTURE EXPLAINED

Bucharest SCINTILA in Romanian 19 Jan 82 p 3

[Article by Univ Prof Dr Oprea Parpala: "The Reasons of an Economic and Social Order That Were the Basis for the Adoption of the New Measures for Stimulating the Agricultural Producers"]

[Text] Public opinion in our country has received with obvious and justified interest the two decrees of the State Council on the contracting for and purchases of vegetable agricultural products, animals, poultry and animal products, an interest also increased by the fact that the new regulations that increase the personal interest of the peasantry in increasing the production and the deliveries to the state supply were adopted only 1 year after the Decree on the Updating and the Improvement of the Correlation, on Economic Principles, of the Production, Contract and Purchase Prices for Some Agricultural Products.

Under these conditions, the natural question is raised, both on the part of the producers and on the part of the purchasers of agricultural products: What are the considerations of an economic and social order that generated the adoption of the above-mentioned measures?

As is known, Romania is promoting a policy of self-sufficiency regarding food, supplemented by the distinguishing of reserves for exportation. The promotion of this policy is based on the natural and economic conditions favorable to the development of intensive agriculture, a priority branch of the national economy, with an extremely important role in securing the country's general progress and raising the people's standard of living. The growth of agriculture's contribution to the transformation of Romania into a socialist country with an average level of economic development must also find expression in the providing of a food consumption—quantitative and qualitative—at the level of that in the countries with developed agriculture. With this end in view, the Program on Territorial Self-Management and Self-Supply for Providing Animal and Vegetable Agricultural Products to the Population in the 1982-1985 Period was also drawn up and has acquired the force of law. The priority aspect of this program consists of the qualitative improvement of the structure of the food consumption, taking into account the present absolute predominance of the food resources of a vegetable nature. According to the calculations that we made (on the basis of the statistical data of the FAO), it results that, in order to achieve the structure of the food resources per day and per capita in the FRG (with which we are equal as regards the total resources, that is, 3,368 calories in Romania and 3,362 calories in the FRG, but; of them, the calories of animal origin are only 714 in

Romania, in comparison with 1,303 in the FRG) and considering that a consumption of 6-7 calories of "raw material" of vegetable origin is necessary in order to obtain 1 calorie of animal origin, our country must double the vegetable and animal physical output (without taking into calculation the population growth). The problem is magnified if we consider that the resources of animal protein per day and per capita are 54.5 grams in the FRG and 39.3 grams in Romania (which, from this viewpoint, is in one of the last places in Europe, surpassing only Portugal, Yugoslavia and Albania).

At the same time, the absolute growth and the qualitative improvement in the food consumption per capita (in 1966-1968, the resources were only 3,070 calories, including only 529 of animal origin, and the resources of animal protein were only 27.3 grams) combined to reduce the reserves for exportation, in a period in which it was necessary for us to increase the importation of petroleum and mineral raw materials. So it is, for instance, that, according to the data of the FAO, the average annual net exportation of cereals in the 1977-1979 period was only 282,000 tons, and for sugar we reached a net importation of 26,000 tons per year.

All these things increase the necessity of at least doubling the vegetable and animal production, as a primary objective of the new agrarian revolution in Romania.

But, under the conditions of our country, where the possibilities of expanding the cultivated area are very low, the matter of increasing--of at least doubling--the yield per hectare, especially in the agricultural production cooperatives, has an absolute significance. Despite the vitality attained in the development of our agriculture, the yields that we are obtaining are not yet at the level of either the possibilities or the needs. For the majority of the agricultural crops, the ratio of yield between Romania and the developed countries is 1 to 2. But even from this ratio there also result the reserves that we possess for increasing the yield by accenting the process of intensive development of agriculture, on the basis of allocating additional production resources per unit of area. The situation existing in the agricultural production cooperatives--the main sector of our agriculture--reveals these reserves even more strikingly. In 1980, for wheat, for instance, 57 percent of the cultivating cooperatives obtained less than 2,500 kg per hectare (including 303 cooperatives below 1,000 kg). For grain corn, 72 percent of the cultivating cooperatives obtained less than 3,000 kg per hectare (including 589 cooperatives below 1,000 kg).

Such yields are being obtained under the conditions in which the material and pay expenditures are increasing, influencing the production costs. The growth of the expenditures for fuel and other energy resources and the increase in the prices of various means of production are burdening more and more the income and expense budgets of the agricultural units, increasing the volume of the losses, in a period in which the application of the new economic and financial mechanism puts first and foremost the matter of self-administration. However, in 1980, the financial activity of the agricultural production cooperatives, for instance, ended with a loss of over 5 billion lei (calculated at the real level of pay--just 28.85 lei per norm of category I). Only 20.2 percent of the cooperatives did not suffer losses, while 54.2 percent of them registered losses of over 1 million lei (with the losses exceeding 5 million lei in 177 cooperatives). It is as clear as can be that such a situation necessitated the matter of better placing on economic principles the exchange of products between the village and the city, for strengthening the worker-peasant alliance--the political basis of the socialist order in Romania.

At the same time, it must be mentioned that in most cases—at least for the main vegetable products (especially cereals)—the prices had not been changed for nearly a quarter of a century, a period in which great upheavals occurred in the world economy and agriculture. The world economic crisis, at least through two of its manifestations—the energy crisis and the food crisis—seriously affected the prices of the agricultural products, causing a true "explosion" of them. For instance, in comparison with the price at the end of 1972, the average price in 1980 rose from 259.50 cents to 458.37 cents per 60 pounds for wheat on the Chicago market, from 151.75 cents to 311.11 cents per 56 pounds for grain corn on the same market, from 9.79 cents to 30.62 cents per pound for sugar on the New York market, and from \$249 to \$600.91 per ton for soybean oil on the Rotterdam market, while the average price of 1 ton of sunflower oil was \$615.05 on the same market.

The above considerations put in its true light the well-substantiated reason for the new measures adopted by our party and state for stimulating the agricultural producers, through the factor of prices, for better utilizing the production resources in order to increase the yield and the deliveries to the state supply per hectare or per head of stock.

In connection with this, two basic problems had to be solved: the size of the financial incentives (a price increase) and the criteria for granting these price increases.

According to the calculations made by us (and presented in a scientific paper prior to the adoption of the recent decrees), it results that in order to make the whole socialist system of our agriculture profitable—at the level of the economic and financial results in 1980—15-20 billion lei (besides the 9.6 billion lei in supplementations through the measures in 1980) are additionally necessary for: covering the more than 12 billion lei in losses; supplementing the pay fund of the agricultural production cooperatives by at least 9 billion lei in order to reach a pay of about 55 lei per norm of category I; and providing a rate of profitability of 10-15 percent (for self-development), which would represent between 8 and 12 billion lei. If we consider that in the 1981-1982 agricultural year, just from the production bonuses, for the vegetable products delivered to the state supply, the agricultural producers are obtaining additional incomes of about 14 billion lei, to which are added the price increases and the production bonuses for animals, poultry and animal products, it can be judged that for the first time in the history of our agriculture the conditions exist for self-administration and the achievement of equitable incomes by the agricultural producers, this being the second objective of the new agrarian revolution in Romania.

Regarding the criteria for awarding the incentives, under the conditions in which the main objective is to increase the yields per hectare, as a basis for increasing the deliveries to the state supply, it can be only one thing: the increase in production delivered to the state supply from each hectare or from each animal. It is natural for the level of the bonus per ton of product to increase along with the increase in the limit per hectare of the deliveries to the state supply, given the fact that a higher output also requires a greater financial effort. As a matter of fact, this progressive character of the production bonus constitutes the essence of the stimulative measures provided in the new decrees of the State Council. As authentic documents of agrarian policy, the two decrees also pursue the attainment of other objectives, such as: the awarding of production bonuses (in percent of the basic price)

for the products of greater economic importance (grain corn) or those in short supply (sugar beets, sunflowers and so on); the awarding of the production bonus to the agricultural production cooperatives starting from a lower limit per hectare of the deliveries to the state supply; the awarding of financial incentives for the raising of the average slaughtering weight of the animals, the raising of the birth rate, the regularity of the delivery of the animal products to the central supply, and so on. Through the additional incomes provided by the state to the agricultural producers, the new system of material incentives has the mission of helping to speed up the process of intensifying the agricultural production in our country.

Obviously, the new regulations on the contracting for and purchases of vegetable and animal agricultural products correspond not only to the interests of the agricultural producers but also to the general interests of the development of our socialist society, within which agriculture is called upon to manifest itself more strikingly as a basic, priority branch for the economic and social progress of the country, for the raising of the well-being of our whole populace.

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PRODUCT PRICES MUST REFLECT ACTUAL PRODUCTION COSTS

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[Article by Virgil Pirvu, a director in the State Committee for Prices: "Basing Prices on Social Production Costs"]

[Text] Under the conditions of the new economic-financial mechanism based on self-management and self-administration, prices must direct the enterprises towards the achievement of planned production at the highest possible levels of quality, with a minimum of costs and a maximum of profits. At the same time, prices must allow society to evaluate as exactly as is possible the contributions of the different units, sub-branches and branches of the economy in obtaining the final economic results in order to plan the improvement of the structure of production in the direction of getting maximum economic efficiency.

The Economic Basis of Production Costs

The system of prices can exercise these important functions of documentation and control on behalf of society, as well as a factor for optimizing economic processes, only if they correctly reflect the social costs necessary to produce the goods. Any deviation in the prices from their economic base, which is determined by the social production costs, not only distorts the synthetic indicators of the economy or of the branch and units, but also can directly have negative implications for the normal carrying out of production and the movement of goods in the economy.

The existence of certain underestimated prices does not provide these enterprises the means of obtaining the financial resources necessary to create the funds outlined by the current economic mechanism and does not stimulate the development of production corresponding to the needs of the national economy. At the same time, the setting of certain prices at levels higher than those economically justified creates a false picture of the efficiency of these production processes and does not stimulate the enterprises and centrals to improve the technologies in order to decrease labor and material consumption and to thus reduce their production costs.

According to the fundamental requirement of the new economic-financial mechanism, each sector, activity or product must be efficient and must produce profits. This raises new requirements in the activity of setting prices, in the sense of most judiciously determining the scope of the objectively necessary costs recognized in society. This increased requirement does not mean, however, identifying individual costs through prices, whatever their level may be, that is, basing prices on

marginal costs. Prices must be based on costs that are critically analyzed and judiciously determined on the basis of the standards and norms in effect.

The need to reflect real social costs in prices applies not only to those domestically-produced products, but also those that are imported. In this case, the domestic prices must reflect the real efforts made by the national economy in order to obtain the hard currency needed for import activities. As such, their prices must be established starting with the prices paid for the imports and with the cost in lei of the hard currency earned from export operations. Deviations from these criteria can unjustifiably stimulate the consumption of certain import materials if the prices are underestimated in relation to their real cost to the national economy, generating at the same time financial redistribution processes. If the prices of the imported products are judiciously set, under conditions of a balanced commercial exchange, the budget will not have to intervene in order to finance foreign trade.

It is a known fact that our country does not have its own raw materials base that will fully satisfy the needs of industry. Under these conditions and paralleling the efforts to develop our own production of raw materials, Romania is required to import significant amounts of crude oil, coal, coke, iron ore and so forth. And, in recent years, especially after the start of the energy crisis, the prices on the world market have noticeably increased. Thus, crude oil prices over the 1972-1981 period have increased approximately 15 times over, while those for petroleum products are over 11 times greater. As a result, prices have also increased for other products: 4 times greater for coal, 2.2 times greater for metals, 1.8 times greater for ores, 2.8 times greater for rubber and 2.9 times greater for wood and wood products. At the same time, prices have also gone up for food products. The price for grain has increased by approximately 2.3 times, for oil-producing plant seeds by 2 times and so forth. For the main raw materials imported by our country, the prices have also experienced great increases (see Table No 1).

Table 1

The Growth in Prices for Imported Raw Materials

			(1) Creșteri (%)		
			1977	1980	1980
			1973	1977	1973
Titel	(2)		242	152	702
Minerale de fier	(3)		8	88	103
Carbuni cocsificabili	(4)		83	60	183
Cocs metalurgic	(5)		120	90	319

Key:

1. Growth (in percent)
2. Crude oil
3. Iron ore
4. Coking coal
5. Metallurgical coke

Thus, in 1980, compared to 1973, a ton of imported raw material cost us 7.6 times more for crude oil, 1.9 times more for coking coal, 3.2 times more for metallurgical coke and so forth. It is easy to see the considerable effort that our national economy had to make in order to obtain the necessary amounts of raw materials.

At the same time, under conditions of using certain mineral resources containing lower useful content levels, costs also increased for raw materials stemming from our extractive industry (see Table No 2).

Table 2

The Increase in Costs of Domestic Raw Materials

	(1) Creșteri — %		
	1977	1980	1980
	1973	1977	1973
Lignit subteran (2)	30	23	62
Țitei (3)	30	74	127
Fluיד cocsificabilă (4)	24	39	72
Mineriu de fier (5)	71	34	128

Key:

- | | |
|---------------------------|----------------|
| 1. Increases — in percent | 4. Coking coal |
| 2. Underground lignite | 5. Iron ore |
| 3. Crude oil | |

Maintaining prices at unchanged levels under the conditions of such increases in basic raw materials leads to a decrease in their expressiveness, to a separation from their basic nature — as production costs — and to a situation of financing part of production costs from the budget.

Creating agreement between production prices and the changes that have occurred in the level of costs has been achieved by resetting the prices from the 1974-1976 period and by updating the prices in effect from 1 January 1981. Through this updating process, we have achieved a more realistic reflection of production costs in the prices, we have created the possibilities for implementing a new economic — financial mechanism under better conditions in all branches of the economy, we have intensified the role of prices in improving economic efficiency and we have eliminated a series of financing activities from the budget. By increasing prices to a significant degree in the sectors producing raw materials, energy and certain basic materials, along with maintaining prices at unchanged levels for products in the final processing branches, we have improved the value relationship between the branches and the sub-branches of the national economy and their participation is more correctly reflected in the creation of national income, stimulating the enterprises, at the same time, to more efficiently use material and financial resources.

The agreement between costs and prices must, however, be achieved as much as possible on an annual basis according to the long-term changes that occur in the levels and

correlations of domestic costs and foreign import prices and in close correlation with the indicators in the country's unified national economic and social development plan. Right from the point at which the plan is drawn up, we must reflect in the plan the changes that must be made to production and delivery prices beginning with the next year. This is an objective necessity in order to ensure the stability of the plan's value indicators and their strict correlation. As comrade Nicolae Ceausescu pointed out, only by analyzing real costs in a systematic manner and eliminating old prices and charges on a timely basis will we be able to exactly evaluate, with the help of prices, what products cost us, what the profits will be and whether we are competitive on an international level.

A Strict Correlation Between Costs and Prices

The realism of prices, their basis in the social production costs in all the branches and sub-branches of the economy and their maintenance in accordance with the changes that occur in their levels, as well as the priorities for development in the economy, are defining characteristics of the pricing policy promoted by our party. In connection with this, the 12th RCP Congress emphasized that "there will have to be a better substantiation of the correlations between the prices of basic products and those of finished products, beginning with the socially necessary costs and world market prices and with the need to better use raw materials, materials and energy."

In the year that has passed since the updating of production prices, a series of elements has intervened that makes it necessary to change price levels in some sectors, sub-branches and groups of products.

In the extractive industry, as a result of a complex group of factors, production costs for energy coal increased by an average of 9 to 14 percent, for iron ore by approximately 7 percent and for crude oil by approximately 8 percent. The prices for agricultural products were increased in 1981 by an average of 12 percent, and on 1 January 1982 a system of progressive, differentiated bonuses was introduced based on type of product and amounts delivered to the state fund per each hectare cultivated, while, at the same time, purchase prices were increased for a series of animal products. As a result of the increases in agricultural prices, costs in the food industry are going up by approximately 20 billion lei at the levels of this year, affecting the prices of all products in this branch.

Aside from the changes that have occurred in the level of production costs in the extractive industry and in the food industry, in recent years on a worldwide scale there have been significant changes in the price relationships between crude oil and natural gases. If in 1980 this relationship was approximately 3:1, currently, as a result of significant increases in the price of gases, the relationship has reached an approximate 1.6:1 level. This important change, decisively brought about by the energy crisis, also had influences upon the prices of those products that use large amounts of natural gases, influencing the price correlations for a series of products.

Keeping in mind these factors and the requirements to firmly implement the principles of the new economic-financial mechanism, it is necessary for us to permanently achieve full agreement between production prices and costs. To do this, it is necessary for

us to periodically update production prices so that they will correspond to actual, real costs and will permit each economic unit to achieve an appropriate level of profitability for each product. At the same time, in order to carry out a judicious pricing policy to have agreement between retail prices and the new production prices and to preserve certain appropriate relationships between costs, production prices and retail prices.

Reducing Production Costs - A Priority Task

The normal carrying out of activities in the enterprises on the basis of the new prices, as well as the full implementation of the economic mechanism in all branches and sectors of activity, are influenced by the continuing reduction of production costs. Only by a systematic action to reduce production costs, and especially material costs, by all means available will we be able to ensure the levels of profitability foreseen in setting the new production and delivery prices.

An important role in reducing costs is played by the critical analysis of costs at the time of setting new production prices. If we keep in mind the especially high rate of updating products, especially in certain branches like light industry and machine building, the contribution of the price setting organs to judiciously setting prices and preventing the unjustified growth of certain prices is even more graphic. In connection with this, it must be pointed out that, although it has happened less frequently in recent times, there still are numerous cases where enterprises or centrals and even some ministries, which are tempted to obtain "reserves" in order to more easily fulfill their plan's value goals, propose prices at levels higher than those needed on the basis of certain correctly determined levels of labor and material consumption. Thus, just during the period of 1 January 1981 to 30 November 1981, after an examination by the State Committee for Prices of proposals presented by the two ministries in the machine building branch, prices were set at levels lower than the ones proposed for approximately 300 products. The level of costs proposed by the ministries - which, after the analyses, were shown that these levels did not have to be reflected in new prices - totalled approximately 2.5 billion lei.

The existence of such cases of over-estimating costs and profits for the purpose of obtaining prices higher than those that are justified, as well as sometimes formal approaches alone to measures that must ensure staying within the planned levels of production costs at each economic unit, make it necessary to create a mass opinion in the ranks of the workers who work both in the finance-accounting and pricing sectors and in the technical and commercial sectors in order to correctly understand the balance that must be provided in the economy between costs and prices, as well as between the different categories of prices used in the economy.

The proper operation of the economic-financial mechanism requires measures to ensure a permanent correlation between costs, production prices and retail prices. The achievement of a just pricing policy and the maintenance of certain appropriate relationships between production costs and prices and sales prices constitute a legal, objective requirement for the proper management of economic activities. In this direction, in the session of the Political Executive Committee of the Romanian Communist

Party's Central Committee in December 1981, it was specified that the updating and improvement of prices in agriculture make it necessary to move to the improvement of retail sales prices for a series of products, an action that is to be carried out in close correlation with the plan provisions regarding increases in the people's real incomes.

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